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Shipler, a former reporter for *The New York Times*, set out to find some of these people and tell their stories. Their individual lives, he warns, aren't tidy. Finding ways to help them won't be easy. But Shipler does

David K. Shipler

The Working Poor: Invisible in America

Alfred A. Knopf, 2004

make his readers see them. And that is no small contribution.

We cite Shipler's book because it provides another dimension to the

state government members.

Shipler, though, explores the nature of work itself and weighs collective responsibility for those who do our "essential labor." It seems a good time to reflect on some of his conclusions as national policymakers begin to draw the borders of a new "ownership society," which likely will mean cuts in federal entitlements.

Working poverty, Shipler finds,



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Peggy Boyer Long



The working poor are invisible though we encounter them every day

by Peggy Boyer Long

Americans who work hard shouldn't be poor. That's what we've always believed as a nation. So, whether through ignorance or choice, we don't really see the working poor.

They make up what journalist David Shipler calls the forgotten America. They are working, but they aren't making it, or they're barely making it. "They are," Shipler writes in *The Working Poor*, "shaped by their invisible hardships."

Yet, he notes, we encounter them every day. They serve us Big Macs, help us find what we need at Wal-Mart. They clean our offices, wash our cars. And they can't afford their own stake in the American Dream.

"The man who washes cars does not own one. The clerk who files cancelled checks at the bank has \$2.02 in her own account. The woman who copy-edits medical textbooks has not been to a dentist in a decade."

Shipler, a former reporter for *The New York Times*, set out to find some of these people and tell their stories. Their individual lives, he warns, aren't tidy. Finding ways to help them won't be easy. But Shipler does

"By itself, hard work alone would not pay off. That lesson, tainting such a revered virtue, is not one that we want to learn. But unless employers can and will pay a good deal more for the society's essential labor, those working hard at the edge of poverty will stay there. And America's rapturous hymn to work will sound a sour note."

David K. Shipler

The Working Poor: Invisible in America

Alfred A. Knopf, 2004

make his readers see them. And that is no small contribution.

We cite Shipler's book because it provides another dimension to the

concerns we raise in this issue about the future of work.

We examine in these pages the shift toward outsourcing some jobs overseas. That trend, along with the rise of technology, has pushed many Americans into the low-wage service sector. Is this the unavoidable price of the new world of work? Reporter Stephanie Zimmermann and scholars Ronald Spahr and Robert Reich offer some divergent opinions about causes and solutions.

Here in Springfield, Statehouse bureau chief Pat Guinane investigates another type of outsourcing, Gov. Rod Blagojevich's push to privatize the work of state government, while reporter Chris Wetterich details the governor's moves to downsize the state government workforce.

Shipler, though, explores the nature of work itself and weighs collective responsibility for those who do our "essential labor." It seems a good time to reflect on some of his conclusions as national policymakers begin to draw the borders of a new "ownership society," which likely will mean cuts in federal entitlements.

Working poverty, Shipler finds,

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is a “constellation of difficulties that magnify one another: not just low wages but also low education, not just dead-end jobs but also limited abilities, not just insufficient savings but also unwise spending, not just poor housing but also poor parenting, not just the lack of health insurance but also the lack of healthy households.”

In other words, work works for some people only if nothing else goes wrong, if the car doesn’t stop running, if the children don’t get sick and if the landlord doesn’t raise the rent.

Shipler spent years tracking some of these individuals — workers, bosses, social workers, teachers and job center trainers. The villains, as he sees it, can be exploitative employers, but they also can be incapable employees. He asserts that his is a clear-eyed assessment.

Clear-eyed he may be, but his ultimate sympathies are easy to see. Shipler argues that, while society often blames the poor for their condition, it doesn’t hold employers to account. And, while government puts its energies into moving people from a handout to a paycheck, it doesn’t concern itself much with the size of that paycheck, or the social supports that may still be necessary.

“Indeed, this solemn regard for the employer as untouchable, off limits, beyond the realm of persuasion unless in violation of the law, seems to permeate the culture of American anti-poverty efforts, with only a few exceptions,” he writes. “Wages are set by the marketplace, and you cannot expect magnanimity from the marketplace. It is the final arbiter from which there is no appeal.”

Thus, Shipler argues, the key to moving people from welfare to work is to make the process beneficial to business. He has a number of ideas to that end. Among them, improving the nation’s schools by equalizing spending between rich and poor districts and providing better skills training for workers. Both of these efforts, he believes, would serve the needs of employees and employers.

Yet Shipler doesn’t blink at using government policy, including the tax structure, to alleviate unfair wage structures. One idea: targeting wages to regional costs of living.

Primarily, though, Shipler promotes a holistic approach to the problems of the working poor — beginning with opening our eyes.

“It may look as if nobody is accountable,” he writes. “In fact, everybody is.” □

Peggy Boyer Long can be reached at peggyboy@aol.com.

Also recommended

American Dream: Three Women, Ten Kids, and a Nation’s Drive to End Welfare by Jason DeParle, Viking, 2004. DeParle tells the story of one extended family (Angela Jobe, Jewell Reed and Opal Caples) as it copes with the national political decision to “end welfare as we know it.” Does welfare-to-work work? DeParle shows there are some successes and some failures.

Nickel and Dime: On (Not) Getting By in America by Barbara Ehrenreich, Metropolitan Books, 2001. Ehrenreich decided to report on the lives of the working poor by joining them. She took a job at a Wal-Mart in Minnesota to get a first-hand look at what it’s like to be among America’s low-wage workers.

The Other America: Poverty in the United States by Michael Harrington, Macmillan, 1962. Available now in a 1997 Touchstone edition. Harrington’s analysis led to the national War on Poverty, launched by President John Kennedy and expanded by President Lyndon Johnson. This book is worth rereading as national policymakers push to rewrite America’s social contract.

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Credits: Cover design by Diana L.C. Nelson

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Patrick J. Guinane



State trade office plays matchmaker as Quincy courts China

by Pat Guinane

Quincy's Bayview Bridge provides both a path across the Mississippi River and a metaphoric glimpse across the globe. The cable structure bears a striking resemblance to the bridge that stretches across the Yangtze River Delta just outside Jiaxing, China, Quincy's new sister city.

The Illinois Trade Office helped bring the two river cities together during a Quincy-focused foreign trade mission that still makes local officials ecstatic.

The November excursion was the first city-specific trade mission underwritten by the state, but Illinois officials say the trip is part of a larger shift in trade policy that comports with Gov. Rod Blagojevich's approach to economic development. The state trade office is under the Illinois Department of Commerce and Economic Opportunity, which has divided the state into 10 regions, promising targeted assistance for each one.

"The Quincy trade mission was originally for that region," explains Ross Harano, managing director of the Illinois Trade Office. "Our staff went to Quincy to talk to them about organizing a regional trade mission, and Mayor [Chuck] Scholz was so excited about this he said he'll work with us and he helped round up the companies."

One of those companies, Quincy-based Broadcast Electronics, has already returned to China to discuss

"We're in the 21st century," says Mayor Chuck Scholz.

"It's a global marketplace out there and even towns the size of Quincy, and maybe especially the size of Quincy, need to understand that we have to be in position to compete out there."

a business opportunity there. And a Chinese manufacturer is scheduled to visit Quincy this month to see firsthand whether the Midwest town would make a good home for a warehouse or distribution center.

"We're in the 21st century," says Scholz. "It's a global marketplace out there and even towns the size of Quincy, and maybe especially the size of Quincy, need to understand that we have to be in position to compete out there."

Scholz, who is a member of *Illinois Issues'* advisory board, says Quincy has the tools to be a contender in the international arena. In that regard, location is this river town's most important asset. Illinois legislators approved a Quincy-area port district

in 1998, giving the region greater authority to build shipping terminals and float low-interest loans to freight companies. The Illinois port authority was followed by the Mid-America Port Commission, an economic partnership among Illinois, Iowa and Missouri. The next step will be to secure foreign investment.

"Both the East and West coasts have a lot of congestion in their ports," says Charles Bell, executive director of the Great River Economic Development Foundation, which represents Quincy and the rest of Adams County. "We have the ability, and it's just beginning to develop, to bring containers from the gulf ports by barge, offload them here onto rail and truck and distribute them from the central U.S. in both directions. You eliminate the relatively high cost and particularly the congestion coming into either the East or West Coast ports."

The November trip was an opportunity for the Illinois Trade Office to steer Quincy officials toward Chinese companies that could use a Mississippi River shipping route to improve their U.S. product distribution. Director Harano oversaw the planning in Chicago, coordinating with the state's foreign trade offices in Shanghai and Hong Kong. That included the expertise of Norman Li, dean of the state's nine foreign trade offices.

"He's been doing it forever, knows

everybody,” says Mayor Scholz, recalling the framed photos of Paul Simon and former Gov. James Thompson that adorn Li’s Hong Kong office. Scholz says it was the legwork of pros like Li and Harano who made the trade mission a success.

“We knew they would help us with translating the PowerPoint presentations and providing interpreters, you know, logistics of the trip — and they did,” Scholz says. “That was important. But what they really did for us is the contacts. They call them matchmaking sessions.”

After all, China is a long way to go for a blind date. The trade office set up meetings with contacts in Beijing, Shanghai and Guangzhou, pairing the Quincy officials with representatives of China’s national, provincial and municipal governments. The trade office also rounded up Chinese investors interested in Quincy and set up meetings with Quincy companies interested in expanding overseas investments.

“It was very beneficial in the sense that we had access to people at a higher governmental level than we normally would because we went in with the state of Illinois,” says Chuck Kelly, director of international sales for Broadcast Electronics. About 100 employees manufacture radio transmission equipment at the company’s production facility in Quincy. Kelly says his firm has two decades of international sales experience, including business in China. But the state-sponsored trip allowed him to meet with Chinese officials who are preparing the logistics to broadcast the Beijing Olympics in 2008.

“We typically don’t participate in the standard everyday trade mission,” Kelly says. “But we felt that, given the size of the market of China and the unique opportunities that we saw in this particular trip, it made good sense for us.”

Also participating were Gardner Denver and Quincy Compressor, companies that already have a presence in China. The industrial air compressors and vacuum pumps they produce are in demand as China forges ahead with its industrial revolution. While the Chinese national economy is experiencing rapid growth — about 9 percent in 2004 — the standard of living for most citizens is

In 2003, Illinois ranked seventh among the states in exports, and Ross Harano, managing director of the Illinois Trade Office, says our \$26 billion in annual exports support 603,000 Illinois jobs.

improving at a much slower rate.

The infrastructure challenges that confront the growing superpower put Klinger Engineering, another Quincy company, in great demand during the trade mission. Chinese officials were interested in the firm’s expertise in water and wastewater treatment projects. As that country becomes more urban, advice on highway construction, city planning, pollution control and building codes is at a premium.

“We know that China needs to clean up its air, water and soil,” says Harano, head of the state trade office. “We know the World Bank is funding Shanghai [by] approximately \$25 billion. So we know to follow the money. We know that there’s going to be some tremendous environmental issues there.”

Harano adds that China’s 2001 acceptance into the World Trade Organization means that the country has to “start coming up to the 21st century in terms of environmental issues.”

Engineering, architectural and environmental firms from the Chicago suburbs visited China on another state-sponsored trade mission last May. Then in June the Chicago Southland Chamber of Commerce took a nine-day trade mission to Europe. The previous summer, state officials arranged for 32 foreign consuls to take a bus trip to the south suburbs. The state also arranged for some of the 30 foreign trade commissioners stationed in Chicago to take trips to Rockford and Peoria last year.

“The problem with these foreign trade commissioners is that they never leave Chicago,” Harano says. “They don’t

know there’s a state beyond Chicago.”

The state’s trips abroad also are about introducing the world to the rest of Illinois. The next opportunity will be the Canadian/International Food and Beverage Show in Toronto February 20-22.

Seven more trade missions are scheduled for the next five months, including a return to China in May. For that trip the Illinois Trade Office is auditioning companies that can help China address its water treatment needs.

Including Quincy’s trade mission to China and a September trip to Japan, the state will fund 10 trade missions this fiscal year. The trips cost the state about \$15,000 to \$25,000 for translators, meeting rooms and other legwork-related expenses. Participants pay their travel, lodging and personal expenses. The state’s contribution comes out of the Illinois Trade Office’s annual budget of \$4.6 million, which also supports the state’s nine foreign trade offices.

Aside from its pair of offices in China, Illinois maintains outposts in Budapest, Brussels, Johannesburg, Mexico City, Tokyo, Toronto and Warsaw. Illinois had as many as 12 trade offices under former Gov. Thompson, but his fiscally minded successor, Gov. Jim Edgar, cut that number in half. Former Gov. George Ryan was the first U.S. governor to visit Cuba under Fidel Castro’s rule, and Ryan established the state trade office in South Africa. Gov. Blagojevich has not participated in any trade missions since taking office. But, at the same time, Harano says the governor won’t close any of the current trade offices despite the state’s continued budget woes.

In 2003, Illinois ranked seventh among the states in exports, and, Harano says our \$26 billion in annual exports support 603,000 Illinois jobs. Foreign subsidiaries account for another 320,000 jobs, and that number will be on its way up if Quincy and its newest sibling have anything to say about it.

Though the two are some 7,000 miles apart, Quincy hopes its sister city pact with Jiaxing, a port town an hour south of Shanghai, will be a long-distance relationship that builds a bridge toward the two cities’ global economic future. □

Pat Guinane can be reached at capitolbureau@aol.com.

BRIEFLY

CIVIL RIGHTS

Students' film helped spur long-delayed justice

What started as a history project for three suburban high school students grew into a story that captured the attention of Congress and the international press.

Their short documentary about the 1964 murders of three civil rights workers in Mississippi added momentum to a national call for delayed justice in the case. On January 7, officials of that state arrested Edgar Ray Killen, the man witnesses described as a member of the local Ku Klux Klan and a ringleader of the mob that killed James Chaney, Andrew Goodman and Michael Schwerner and buried their bodies beneath an earthen dam on a June night four decades ago.

Last year, Allison Nichols, Brittany Saltiel and Sarah Siegel, three juniors at Adlai E. Stevenson High School in Lincolnshire in Lake County, made a 10-minute film that focused on the murders of the three volunteers — Chaney, a 21-year-old black Mississippian; Goodman, a 20-year-old white New Yorker who had been in the state for a day; and Schwerner, a 24-year-old white New Yorker who was a regional civil rights organizer. The students, who produced their film with the help of their social studies teacher, Barry Bradford, looked at the issues and the legacy of the civil rights movement.

Intended as their entry in the National History Day contest, the documentary won a first place state prize, but it also garnered recognition from state and national political leaders.

Last June, as the 40th anniversary of the murders approached, the documentary added to an already growing call in Mississippi, Washington, D.C., and around the nation to revisit the case. The filmmakers' interviews with the victims' family members, fellow civil rights workers and area residents, including Killen, provided a visual reference for political leaders. Republican U.S. Rep. Mark Kirk, whose 10th District includes Lincolnshire, joined Georgia Democratic Rep. John Lewis in a resolution

calling for a Justice Department investigation.

"I was impressed with the work of these three students," Lewis told *Illinois Issues*. "They played a major role in bringing us to the point of sponsoring a resolution to call on government officials to reopen the case."

In the 1960s, Lewis was a leader of the civil rights organization, the Student Nonviolent Coordinating Committee, which helped organize the Freedom Summer black voter registration drives with the Congress for Racial Equality, the civil rights group that Chaney, Goodman and Schwerner were working for.

The trio had driven to Philadelphia, Miss. After the FBI found the civil rights workers' bodies and identified suspects, which included local law enforcement officers, Mississippi officials turned the case over to federal authorities. In 1967, an investigation into the murders led to the convictions of seven men on federal civil rights charges. Local juries acquitted eight others. Three cases, including Killen's, ended in mistrials. None of those convicted served more than six years. Until last month, the state hadn't charged anyone for murder. Besides Killen, seven of the original 19 arrested in 1967 are still living. As of mid-January, Killen, who pleaded not guilty, was the only person charged in the ongoing investigation.

Beverley Scobell

Courtesy of The Telegraph-Herald in Dubuque, Iowa



This 1964 edition of The Telegraph-Herald in Dubuque, Iowa, featured as its lead story the arrest of 21 men in connection with the murder of three civil rights workers in Mississippi.

For updated news see the *Illinois Issues* Web site at <http://illinoisissues.uis.edu>

LEGI CHECKLIST

The outgoing legislature toiled two days last month before the 94th General Assembly's January 12 inaugural ceremony. House Speaker Michael Madigan opened the new session by underlining the persistent state budget deficit. The *Chicago Democrat* puts next year's revenue gap at \$2.1 billion, a problem he plans to take to the public through a series of regional summits. Meanwhile, Senate President Emil Jones, also a *Chicago Democrat*, stressed the need for equity in school funding. Before lawmakers adjourned the 93rd General Assembly, though, they tackled some unfinished business. Here are the highlights.



Gay rights

The Senate, for the first time, endorsed legislation shielding homosexuals from discrimination in areas such as housing and employment. The House, which had supported the measure in previous years, followed, sending the legislation to Gov. Rod Blagojevich, who plans to sign it into law. In the Senate, the measure won the barest margin of 30 votes, with support from three Republicans and two lame-duck Democrats.

"I'm glad we in the Senate finally have acted," says *Chicago Democrat* Carol Ronen, the measure's chief Senate sponsor. "And I think we did the right thing."

The legislation will add sexual orientation to the state Human Rights Act, which protects against discrimination in banking, real estate, housing, employment and places of public accommodation, including restaurants and hotels.



Judicial subcircuits

The Democrat-controlled legislature moved to divide eight northern Illinois counties into judicial subcircuits. Democrats say the smaller jurisdictions will help put more minorities on the bench in Republican-leaning Boone, DeKalb, Kane, Kendall, Lake, McHenry, Will and Winnebago counties. But Sen. Peter Roskam, a Wheaton Republican, says, "This has nothing to do with electing minorities. This is all about electing Democrats."

GOP and minority legislators joined forces to carve Cook County into judicial subcircuits under a 1990 law. Judges are elected countywide elsewhere in Illinois.



Supplemental spending

Lawmakers approved spending \$4.9 million for security upgrades at the Capitol and surrounding state office buildings in Springfield. Speaker Madigan says the measure doesn't go far enough, complaining that lawmakers, lobbyists and state employees retain unfettered access to the Statehouse. He wants an electronic key card system for admitting those groups and a more uniform system for issuing ID cards. The supplemental spending also includes \$1.8 million for school consolidation grants and \$22 million for the Illinois Department of Transportation to avoid layoffs.

Paige Wassel and Pat Guinane

Foreign trade offices escape budget ax

Illinois economic development officials say the state will maintain its outposts for foreign trade despite uncertain economic times.

Like most state entities, the Illinois Trade Office has endured its share of budget cuts, but Managing Director Ross Harano says Gov. Rod Blagojevich realizes the state is getting a significant return on its investment.

"International trade plays a very important role in Illinois' economy. Our \$26 billion worth of exports support 603,000 jobs in Illinois," Harano says. "As far as we look at it, our competition is not China. Our competition is not Germany or Japan. Our competition is Wisconsin, Michigan, California, New York, Texas."

Facing its own budget woes, California closed that state's 12 foreign trade offices at the end of 2003, saving the state around \$6 million a year. Harano called the move short-sighted and says Illinois officials realize that those immediate savings are not worth the long-term cost. The Illinois Trade Office has a budget of \$4.6 million this year, which supports nine foreign offices. The state maintains outposts in Brussels, Budapest, Hong Kong, Johannesburg, Mexico City, Shanghai, Tokyo, Toronto and Warsaw.

Harano, who had worked for Chicago's World Trade Center, was chosen by Blagojevich to expand opportunities for Illinois companies abroad and attract foreign investment to the state. Harano says the state should pay particular attention to growing economies in China, India and the Middle East. In 2003, Illinois ranked seventh in state trade exports behind — from highest to lowest — Texas, California, New York, Washington, Michigan and Ohio.

Pat Guinane

QUOTABLE

“---- you, Jack, these are my guys.”

Former Gov. George Ryan as quoted in an evidentiary proffer detailing the U.S. attorney's corruption case against him. He was responding to Cook County State's Attorney Jack O'Malley's warning that misconduct might be occurring in the secretary of state's office under Ryan. The ex-governor's trial is expected to begin next month. (See Illinois Issues' Web site at <http://illinoisissues.uis.edu> to read the entire proffer and to see other legal documents in the federal Safe Road investigation.)

“He uses people, and he used me.”

Chicago Alderman Richard Mell speaking to the *Chicago Sun-Times* about a dispute with his son-in-law, Gov. Rod Blagojevich. Mell later tried to patch things up with the governor. But his complaints have resulted in an investigation by the state attorney general and the Cook County state's attorney's office into Mell's allegations that a Blagojevich aide traded jobs for campaign contributions.

Top 10 Countries for Illinois' Exports

(Billions)		
COUNTRY	2003	2002
Canada	\$8.55	\$8.17
Mexico	\$2.15	\$2.10
Japan	\$1.96	\$2.09
United Kingdom	\$1.54	\$1.60
Germany	\$1.20	\$1.17
Australia	\$.92	\$.90
Belgium	\$.82	\$.87
China (mainland)	\$.79	\$.66
Netherlands	\$.78	\$.72
Brazil	\$.69	\$.74

TOTAL (all countries) **\$26.47** **\$25.68**

SOURCE: Massachusetts Institute of Social and Economic Research

CANAL BOATS RETURN

LaSalle to offer rides on I & M Canal

For the first time in nearly a century, visitors to LaSalle will have an opportunity to ride in a horse-drawn canal boat, a replica of the sturdy watercraft that carried commodities and passengers westward in the 19th century.

The Port of LaSalle, located at Lock 14 near downtown, will take tourists on a scenic two-mile round-trip ride on the canal, complete with tour guides dressed in period costumes. Planners are aiming at opening the project later this year.

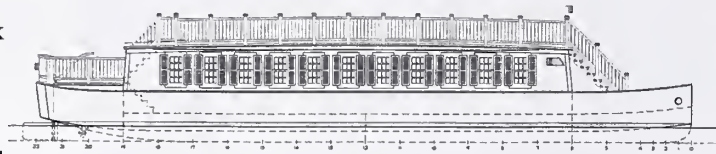
"The boat itself won't take long to build," says Ana Koval, president and CEO of the nonprofit Canal Corridor Association, which is spearheading the project. The main holdup now, she says, is getting the paperwork completed. She adds that no one has tried a project like this — reopening part of a public thoroughfare that has been closed for decades — and several government bodies are involved.

The canal is state-owned and administered by the Illinois Department of Natural Resources. Under an intergovernmental agreement, the state will allow the city of LaSalle to own the boat and maintain the site. Koval's group will manage it. But federal agencies also are involved. The replica is being designed by a naval architect to resemble an 1848 canal boat, as near as historians and archaeologists can tell from drawings, photographs, diaries and excavations. But it also has to pass Coast

Guard safety requirements and regulations.

Getting the first of two boats in the water will cost an estimated \$1 million, says Koval. More than half, \$501,000, is funded through a federal grant. The rest comes from private donations raised by the association and the city of LaSalle. The second phase of the project — at least one other boat, a replica locktender's house and a visitor's center — will cost about \$7 million. Once the project is completed, Koval says, it should attract about 70,000 visitors a year. About 2 million people per year visit nearby Starved Rock State Park in Utica.

Illustration courtesy of Canal Corridor Association



Visitors riding this modern version of an 1848 canal boat will have a more comfortable trip than 19th-century travelers.

LaSalle was the western end of the I & M Canal, a transfer point where the canal met the Illinois and Mississippi river system. When opened in 1848, the canal changed the face of the state and the nation. The hand-dug 96-mile corridor completed a waterway system that allowed goods and people

to move through Chicago and northern Illinois from New York to St. Louis and New Orleans.

Lock 14, one of two canal locks in LaSalle, is the only one in the system that has been restored. Part of the history visitors will learn about is how locks enabled boats to navigate the 140-foot drop in elevation from Lake Michigan to the Illinois River.

Beverly Scobell

REPORTS

MANAGING FREIGHT TRAFFIC

Illinois should prepare for nearly double the amount of freight traffic in the region, according to a Chicagoland business-related civic organization.

In *The Metropolis Freight Plan: Delivering the Goods*, Metropolis 2020 suggests setting aside land to open new rail lines and establishing a barrier-free toll collection system with variable pricing to encourage truckers to travel in nonpeak periods.

The group also calls for opening suburban freight centers in spots best suited to handle freight traffic and spending \$3 billion to improve arterial roads to expand the state-designated truck route network.

The report recommends creating suburban county-level organizations governed equally by county and municipal leaders to build and fund a system of local truck routes.

Chicago Metropolis 2020 is a nonprofit civic organization created in 1999 by The Commercial Club of Chicago.

SUSTAINING WATER SOURCES

Illinois should create a statewide watershed program to coordinate regulations affecting a 12-county region in north-eastern Illinois, according to a research report funded by the Chicago-based Joyce Foundation.

The report, a combined effort of the Campaign for Sensible Growth, the Metropolitan Planning Council and the Openlands Project, also suggests pilot projects to illustrate effective ways to plan and manage watersheds.

Officials and developers need to be educated on "best management practices, water conservation, land use practices, and policies to sustain water resources," according to the report.

The region in the study makes up less than 13 percent of Illinois' land base, while its population accounts for nearly 70 percent of the state's residents. Meanwhile, eight of the 51 major watershed basins, including the Chicago/Calumet, Des Plaines, Kankakee, Kishwaukee, Lake Michigan, Lower Fox, Upper Fox and Upper Illinois rivers, are within the 12-county region.

The report noted that withdrawals from Lake Michigan serve the majority of Cook, DuPage and Lake counties, but counties to the west and south rely on groundwater.

"Moreover, recent decades have seen regional land consumption dramatically outpace population growth," the report states. "Rooftops, pavement, and other impervious surfaces are replacing farmland and open space, increasing harmful runoff to streams and rivers and also causing flooding. Even faster growth is predicted for the next 25 years, especially on the outskirts of the six-county region and into the next ring of counties."

OUTDOORS WOMEN



More than 20,000 women a year, among them Illinoisans, participate in the *Becoming an Outdoors Woman* program, which introduces women to activities that have traditionally been male-dominated: shooting, hunting, fishing, canoeing and camping. The weekend-workshop program is run by the University of Wisconsin-Steves Point. Once women learn basic skills, they can participate in organized trips that take them hunting, fly-fishing, horse packing, sea kayaking or cave spelunking. At the end of July, a group of outdoors women will travel to Moose Pass, Alaska, for trout and salmon fishing, glacier hiking and gold panning. More information on Illinois-sponsored events is available at www.dnr.state.il.us/lands/Landmgt/Bow/index.htm.

PRESS BOX

A *Chicago Sun-Times* analysis found that Illinois veterans on average receive less disability pay than those in most states.

"The VA [Veterans' Affairs office] here is one of the cheapest in the nation in what it awards disabled soldiers, ranking at the bottom in disability pay," noted an article in the series, which was written by Lori Rackl and Cheryl L. Reed.

According to the newspaper, over the past six years, Illinois vets received thousands less than those in most other states and territories. For instance, in 2003, while vets in New Mexico received an average of \$10,815, Illinoisans got just \$6,802. The national average was \$8,065.

The *Chicago Tribune* reported that Illinois may have to pay millions for flu vaccine it can't use.

"Federal regulators have been slow to act on [Gov. Rod] Blagojevich's request to ship the vaccine to this country. The delay, coupled with lower-than-expected demand and a short vaccine shelf life, threatens to render the purchase useless," wrote Christi Parsons.

The federal government also announced plans to buy 4 million doses of extra flu vaccine made for the European market, which was made at a German plant that supplied the vaccine Blagojevich bought.

The state had to decide whether to resell its \$2.5 million share of the joint \$7 million vaccine purchase.

The *State Journal-Register* of Springfield reported that finding dollars to contribute to the state's pension funds will be a major fiscal problem.

"The Economic and Fiscal Commission said that the five state-funded pension systems will need \$2.6 billion in the next budget to comply with the state's pension funding law, a \$600 million increase," wrote Doug Finke.

The fiscal year 2006 budget is projected at \$43 billion.

"In other words, pensions alone will more than eat up all of the money that lawmakers had hoped to divvy up among education, health care and other state programs. It gets worse. In another four years, pensions will cost the state \$4 billion annually."

Photograph by John Dixon, courtesy of the News-Gazette in Champaign



Jim Sasser of Champaign rescued a historic sheep barn at the University of Illinois at Urbana-Champaign. The university has plans for a \$10 million renovation of its South Farms, the site of the two-story barn, which was built in 1915. Workers disassembled the 90-foot by 35-foot barn so Sasser could turn a portion into a Bondville business office and art studio and move the rest to a vacation spot in southwestern Tennessee. The new South Farms complex will include four cattle barns, a sheep barn, an office building and facilities for mixing feed and storing machinery.

COURT RULING

Health care for children

A district court could decide this month how the state must improve access to primary health care for more than 600,000 low-income children in Cook County.

A February 8 hearing marks the final stages of a 1992 lawsuit filed by advocacy groups that argued the state does a poor job administering Medicaid, the federal health insurance program for the poor and disabled.

"The case was filed because there was overwhelming anecdotal evidence from clients walking through the door that they couldn't find doctors for their kids," says John Bouman, co-counsel for the plaintiffs. "That turns out to still be the case."

Trial evidence showed that only 8 percent of Cook County infants enrolled in Medicaid received all six of the federal health screening tests required during the first year of life. Half of the enrollees didn't receive any screenings. And between 2000 and 2002, three-fourths of the Cook County children enrolled didn't get routine dental exams.

Bouman, advocacy director for the Chicago-based Sargent Shriver National Center on Poverty Law, says the state could improve health care access by increasing Medicaid reimbursement rates to attract more doctors, improving notification to parents so they understand their options, simplifying forms and doing a better job of connecting patients to doctors.

The court could order revisions to the Medicaid programs this month, but Bouman says the decision might not result in immediate changes if the state appeals or if the court delays the effective dates.

The state is not commenting on possible revisions while discussions are still under way with the plaintiffs, says Mike Claffey, spokesman for the Illinois Department of Public Aid.

Claffey says that since Blagojevich took office two years ago, 104,000 more children have been enrolled in KidCare, an insurance program for families who live drastically below the poverty line. Meanwhile, other states, such as Tennessee, are threatening to cut coverage.

Though the administration has expanded Medicaid coverage despite a budget crisis, Bouman says increasing enrollment still doesn't ensure access to preventive care.

*Bethany Carson
Herald & Review of Decatur*

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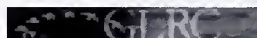
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Public work, private gain

The governor has hired consultants to do what state employees could do. The private sector might be better, but it's hard to tell. So far, Illinois taxpayers aren't seeing much more than the price tag

by Pat Guinane

At the hub of the state's bureaucracy, Central Management Services is big business. And more and more often, more and more of that business is going on behind closed doors.

The Illinois Department of Central Management Services is the all-purpose agency through which some \$3 billion in state funds flow each year. It is state government's landlord and auto mechanic. And it oversees purchasing, information technology and telecommunications operations, as well as insurance benefits for thousands of state employees.

Simply put, CMS, the agency widely known by its initials, is a monolith of monotony. Name a thankless task and Central Management Services is most likely responsible. And the list keeps growing. In 2003, Gov. Rod Blagojevich added real estate management, auditing and legal services, using his reorganization powers to move those tasks out of other state agencies and centralize them under CMS. Last year, he moved agency spokespersons into one CMS Office of Communications.

And while the governor is making CMS bigger, he's aiming to make that nuts-and-bolts public-sector agency better with plenty of help from the private sector. The Blagojevich Administration has doled out at least \$68 million in consulting contracts, eyeing cost savings



of up to \$1 billion.

But a look at one of the administration's most lucrative arrangements, a \$24.9 million contract with a politically connected Chicago firm designed to help CMS streamline its property management practices, suggests savings projections were overblown. Meanwhile, the behemoth bureaucracy that now controls the governor's communications operations is accumulating a wealth of critics who say the agency is increasingly stingy

with information. They argue CMS has established a pattern of secrecy and a penchant for high-priced consultants, often with political connections.

In short, the state may well be saving money and providing better service by privatizing operations, but it's hard to tell.

A CMS response to an *Illinois Issues* request under the Illinois Freedom of Information Act provides little insight into how the state saved an estimated \$6.5 million on real estate costs last year, the first in the three-year life of the property management contract.

"It's inconceivable to me that we have that much of a space planning difficulty that the only remedy is to spend \$24 million to solve it," says state Sen. Peter Roskam, a Wheaton Republican.

Just as disconcerting to Roskam and others is the administration's reluctance to share with taxpayers — who are footing the bill — details about the way it's now doing business.

Roskam has been here before. Last spring, he wanted the state's top lawyer to get a peek at a Blagojevich plan to mortgage the James R. Thompson Center. Roskam questioned the constitutionality of the deal, a \$216 million loan on the state's premier Chicago office building. Attorney General Lisa Madigan ruled the proposal unconstitutional only

days before the closing deadline, apologizing to Roskam for a delay she blamed on difficulties obtaining information from CMS.

Madigan isn't the only high-ranking official to gripe about CMS' tight grip on information. As with the Thompson Center deal, CMS has shown a pattern of withholding public information to protect the interests of its private partners.

CMS says its contract with Illinois Property Asset Management LLC, a Chicago consortium, saved taxpayers \$6.5 million. But the contract was supposed to save at least \$14 million last year. The state is paying the company to devise ways to improve the management of some 7,000 state buildings and several hundred private properties the state leases for parking, storage or office space. On top of that, the company sought to charge brokerage fees to landlords who want to rent to the state. Documents prepared by the company show that it expects to save the state up to \$12 million this year by aggressively negotiating new leases, asserting that landlords will provide free rent and other concessions that reflect a current decline in the market.

According to state comptroller records, state agencies spent \$158 million on leased property last year, a drop of \$4.5 million, or nearly 3 percent from the previous fiscal year. Yet, those savings measure only half of Illinois Property Asset Management's commission for last year. And the company recently received an additional \$668,000 no-bid contract to develop electronic property management systems for the state.

The consortium won the original contract through competitive bidding. Still that deal drew scrutiny because Chicago-based Mesirow Financial Inc., parent company of one of the firms in the consortium, advised the administration on a \$10 billion bond deal and once employed the cousin of John Filan, Blagojevich's budget director. Piper Rudnick, a lobbying firm for Mesirow, has contributed \$100,000 to the governor's campaign fund.

State officials have shrugged off those connections, suggesting the real story

should be the savings brought by the outside review.

But the savings estimates aren't set in stone, nor are they easily obtainable. In an interview last spring, CMS Director Michael Rumman estimated that the contract with Illinois Property Asset Management could eventually save the state \$100 million a year. The budget proposal Blagojevich unveiled a few months earlier estimated savings of \$120 million by 2006. Today, that estimate has been cut in half. CMS spokeswoman Nicole Grady now puts the total savings at \$57 million over a three-year period.

The property management contract came at a time when the state gave private firms another \$28 million to streamline information technology and telecommunications systems and shelled out \$14.7 million for a procurement consultant. Smaller consulting contracts went to companies brought in to help CMS audit state agencies, provide legal services and run a more efficient vehicle fleet.

"We have to be breaking records by wide margins on the amount of money taxpayers are paying to have people consult with state government," says state Sen. Dale Righter, a Mattoon Republican.

While it's not uncommon for state government to seek outside help, critics have expressed alarm at the scope and manner in which the Blagojevich Administration outsources advice.

For example, Ron Picur, an accounting professor on the payroll at the University of Illinois at Chicago, has received more than \$300,000 as a financial consultant to the Governor's Office of Management and Budget. Under contract, he works with John Filan, Blagojevich's budget director who was previously a partner with Picur in the Chicago accounting

and auditing firm of PTW.

Another PTW employee who recently left the state payroll received a \$19,000 no-bid contract to study state gambling revenues, a task the Illinois Gaming Board already performs on a regular basis. That contract comes on top of a \$225,000 contract Deloitte & Touche received to analyze gaming revenue last year.

Deloitte & Touche also received a \$20,000 contract to assist the governor's budget office in analyzing the state's public pension debt, a task already performed by state actuaries. Another firm, Mercer Human Resources Consulting, received a \$200,000 contract for similar actuarial work.

In general, the administration says private consultants provide the state with independent data and outside expertise. In the case of the property management consultant, the contract came amid a scathing review of state real estate practices. An Illinois auditor general report released a year ago revealed gross mismanagement. And Blagojevich Administration officials say that audit supported the need for the contract with Illinois Property Asset Management.

"Overall, we agree with the general message of the audit," CMS Director Rumman wrote to Auditor General William Holland. "We are now working with a world-class group of asset managers. ... It is my belief that the state's space utilization and asset manager's program will be a model for the country and a program other states will look to mimic."

The American Federation of State, County and Municipal Employees Council 31, Illinois' largest state employees union, says it can understand the need for the review.

"At the same time, it certainly seems that \$25 million is an excessive sum and there's no question in my mind that a team could have been assembled from internal employees to perform the same work at a much lower cost to the taxpayer," says AFSCME spokesman Anders Lindall. "And we are extremely skeptical of the rich contracts handed out, seemingly left and right,

At a glance

Last year, a well-connected Chicago consortium known as Illinois Property Asset Management won a \$24.9 million three-year contract to reform state real estate practices. The contract was supposed to cut costs by \$14 million in the first year, but the Illinois Department of Central Management Services says the savings shrank to \$6.5 million. That drop raises questions about another \$43 million in consulting contracts CMS inked last year. Those contracts are supposed to save money, too, but the governor's office isn't providing much information about the work CMS is outsourcing to the private sector. The comptroller, the attorney general and lawmakers have complained about difficulties in getting details.

by this administration to various consultants."

If the skeptics are unconvinced, it could be because the state's private sector advice tends to stay private unless it can support administration policy. For example, Deloitte & Touche's pension analysis has helped show legislators how cutting state employee benefits could reduce the state's staggering pension debt.

But the administration hasn't had a compelling reason to share details about its other consulting contracts. Internal documents show that Illinois Property Asset Management's savings plan banks on \$8 million in asset sales. The company ordered appraisals for a vacant five-acre plot in northwest Chicago and unused property at the Elgin Mental Health Center, a 90-acre parcel the Blagojevich Administration proposed selling two years ago.

And at least two real estate deals signed since Illinois Property Asset Management came on board raised questions about the effectiveness of the high-priced advice CMS is getting. The first is a two-year no-bid lease for storage space near the Kennedy Expressway in Chicago. The Illinois Lottery inked the \$48,000 deal with Mark IV Realty, which also rents billboard space to the agency and donated \$90,000 worth of billboard space to Blagojevich during his campaign for governor.

The second deal involves the Illinois Department of Natural Resources. At the suggestion of Illinois Property Asset Management, DNR employees moved out of the Thompson Center last summer and into \$61,000-a-year office space in the Chicago Loop. The five-year no-bid lease was signed a few months before the agency laid off 124 employees.

"Why does the Department of Natural Resources need 3,000 square feet in the Loop?" asks Righter, the Mattoon Republican. "I mean, if DNR is so burdened by the 4 percent across-the-board budget cuts that the General Assembly imposed last year, how do they justify spending that kind of money on some of the most expensive business real estate in the state of Illinois? I don't understand that."

At \$307,000 over five years, the lease may not be a huge burden to the state, but it's being paid by an agency that says it can

no longer afford 124 of its employees.

Natural resources spokesman Joe Bauer says the department moved four of its water resources division employees to the office at 36 S. Wabash because CMS needed more space in the Thompson Center. Bauer referred further questions to CMS.

Agency spokeswoman Nicole Grady says the move is part of a reorganization of the Thompson Center and the Michael A. Bilandic Building, another downtown outpost of state offices.

"This is an integral component of CMS' statewide space plan," Grady says. "The move with DNR is part of the

restacking that will ultimately maximize the space usage in both those buildings and save money."

She says the building at 36 S. Wabash was chosen because the Illinois Department of Employment Security already leases space there and because the administration wants to keep the transferred natural resources employees in the Chicago area.

According to Illinois Property Asset Management, moving natural resources and State Board of Elections offices out of the Thompson Center would give CMS more space and open up another 25,000 square feet that could be used by agencies

Your request is denied.

Jan-19-2005 12:18pm From: Dale Righter
Dec 13 04 04:50p

T-581 P.001/001 F-624
217-558-6713 P.1

CMS ILLINOIS
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES
Michael M. Rumman, Director
December 8, 2004

Rod R. Blagojevich, Governor

The Honorable Dale Righter
Illinois State Senator
916 Broadway
Matteson, Illinois 61838

RE: Freedom of Information Request

Dear Senator Righter:

This will respond to your November 18, 2004 Freedom of Information Request.

Your request is denied, in part, as the requested proposed amendment containing information exempted from disclosure by Section 7(1)(g) of the Illinois Freedom of Information Act (FOIA), in that the request seeks:

Trade secrets and commercial or financial information obtained from a person or business which trade secrets or information are proprietary, privileged or confidential, or where disclosure of the trade secrets or information may cause competitive harm, including all information determined to be confidential under Section 4002 of the Technology Advancement and Development Act. Nothing contained in this paragraph (g) shall be construed to prevent a person or business from consenting to disclosure. 5ILCS 140/7(1)(g).

Caremark has not consented to disclosure of its proprietary trade secrets (see attached October 21, 2004 correspondence). In compliance with 5ILCS 104/8, enclosed please find a copy of the signed amendment with exempt information deleted.

In addition, you requested the name of the publication or source document that Caremark and/or CMS uses for average wholesale price (AWP), which is First Data Bank.

You may appeal this denial to the Director of the Department of Central Management Services. The notice of appeal must be made in writing and include a copy of the original FOIA request, a copy of the present denial letter, and a statement of reasons why the appeal should be granted. Any appeal should be sent to the Office of the Director, Department of Central Management Services, Attention: FOIA Appeal, 715 Siroon Office Building, Springfield, Illinois, 62706.

Sincerely,
Sunny Clark
Sunny Clark
Freedom of Information Officer
217-558-6713

Enclosures

201 E. Madison, Suite 3W, P.O. Box 19208, Springfield, IL, 62704-9208
Printed on Recycled Paper

Caremark has not consented to disclosure of its proprietary trade secrets

State employees got a new mail-order prescription drug option this summer and Caremark got the contract. Hometown pharmacies were supposed to be able to compete. But the administration won't release the terms with Caremark — even to legislators — saying the company's prices are trade secrets.

that are currently leasing space elsewhere. The company estimates that the reorganization will save \$5 million over 10 years.

The properties leased by natural resources and the Lottery are each smaller than 10,000 square feet, the threshold at which a competitive bid is required. Documents released by CMS do not indicate that Illinois Property Asset Management has suggested reforms that would have made those no-bid deals any less likely. In general, the advice the state is getting remains a mystery outside the administration.

This isn't the first or only time Central

Management Services has drawn criticism for shielding information about its private contracts. Last spring, Comptroller Dan Hynes publicly criticized an \$11 million information technology consulting contract CMS signed with Accenture. Hynes complained that the offshore company had no intention of paying state taxes on the income it would receive. The comptroller says the administration then slipped a tax clause into the Accenture contract just before his complaint came before a state review board.

Yet another contract snafu last summer forced CMS to scrap plans to re-bid \$600

million in state employee health insurance contracts. Bumps in the bidding process sank the deal even while the state was paying the Chicago office of McKinsey and Company Inc. \$14.7 million to reform state procurement practices.

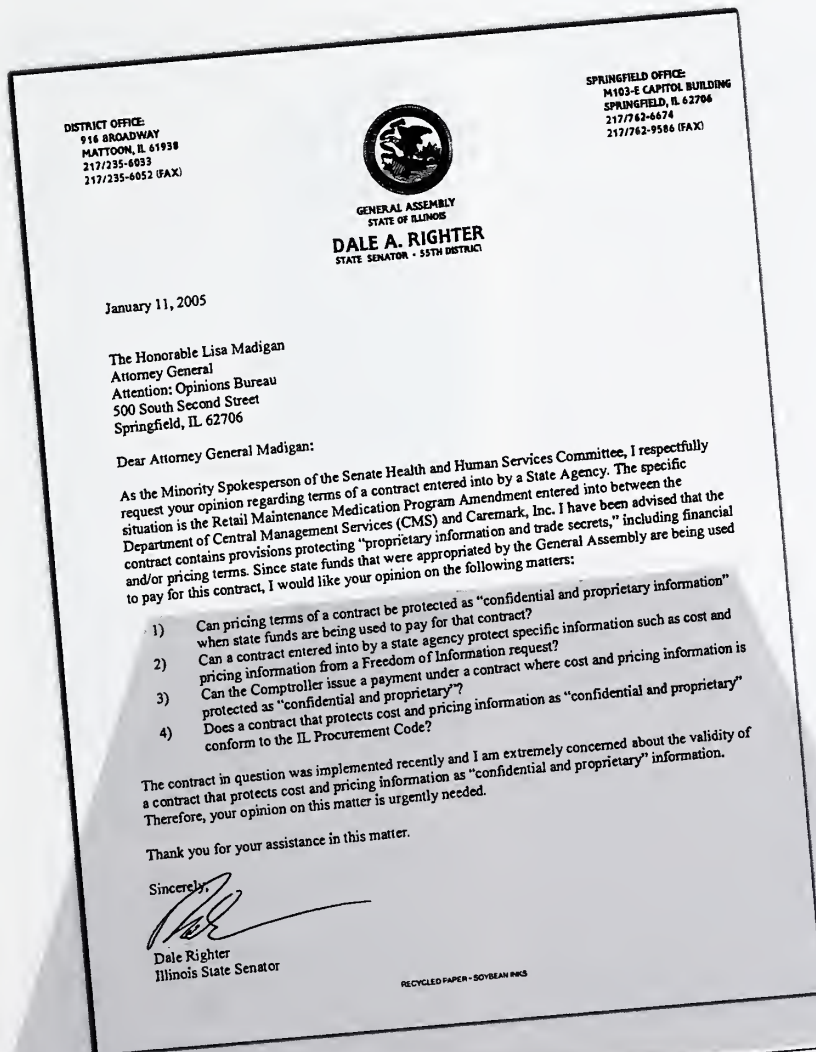
Says Righter: "The explanation that we've received from the governor's office with regard to what created that fiasco [was] — the polite word would be mismanagement — the more accurate term would be ineptness."

Questions arose regarding the way CMS evaluated the bids after Health Alliance, an Urbana company that served state employees for 23 years, was ousted from the competition, perhaps because of changes to the evaluation process made after bids were accepted. CMS eventually agreed to keep the current providers, including Health Alliance, while the state reopened the bidding process.

If nothing else, the health insurance debacle was another red flag for legislators who find it increasingly difficult to pry information from the Blagojevich Administration. Righter and Roskam are currently fighting CMS to obtain information about a contract with Caremark to supply state employees with mail-order prescriptions. The senators want to know the rates Caremark is charging so that local pharmacies can attempt to compete. CMS has denied their inquiries through the Freedom of Information Act. Roskam says the situation mirrors the agency's reluctance to release information about the \$24.9 million property management contract.

"We saw it with the Thompson Center [lease]. We're seeing it with the Caremark situation. And now you're describing another situation and it seems like a pattern. It's a way of doing business that's not particularly healthy," Roskam says. "They don't want to disclose what they're doing, what they've recommended, what we've paid for. I think we can do better."

With CMS taking its cues from the private sector, the business of state government is increasingly becoming a private matter for this administration. Critics argue this sells short the 12 million Illinoisans who are the de facto shareholders in the business of state government. While the private sector might produce a better work product, so far Illinois taxpayers aren't seeing much more than the price tag. □



- 1) Can pricing terms of a contract be protected as "confidential and proprietary information" when state funds are being used to pay for that contract?

State Sen. Dale Righter asked Attorney General Lisa Madigan for an opinion on confidential pricing contained in Caremark's contract. Madigan also is leading a multistate investigation of Caremark's business practices. And CMS is rebidding the prescription drug contract, stipulating that it can't be confidential.



WAL★MARTIZED

The mega retailer has changed the American way of doing business along with the face of Main Street U.S.A.

by Stephanie Zimmermann
Photographs by Stephen Haas

They're everywhere — from Carbon-dale to suburban Chicago — the huge, box-like stores with oceans of cars parked in front and the blue-and-white signs blaring the name: W-A-L★M-A-R-T.

It would be hard to find an American who hasn't shopped at, or at least thought about, Wal-Mart. References to the famed discount chain pop up in everything from late-night television comedy to angst-filled Internet Weblogs complaining about the ruin of the civilized world.

Bentonville, Ark.-based Wal-Mart is the world's largest retailer — actually the world's largest company of any sort. Its annual sales surpass \$256 billion. It has roughly 4,900 stores (including its Sam's Clubs and grocery stores) in the United States and nine other countries, including more than 140 stores in Illinois. It employs nearly 1.5 million "associates." With an estimated 100 million customers passing through its American stores each week, it is the nation's largest seller of toys, furniture, jewelry, pet food and groceries. This comparison has been made: If Wal-Mart were a country, it would be China's eighth-largest trading partner.

All of this gives Wal-Mart enormous power, power beyond what any retailer has had in the modern age. The power to tell manufacturers what price they will sell their goods at — and the power to push production overseas if it means that price can go lower. The power to set wage rates and buck unionization — and an indirect influence over what other retailers pay their employees. The power to drop the annual rate of inflation in the United States

by as much as 1 percent — and the power to threaten Main Street businesses with bankruptcy. In short, the power to drive a new model of business in which price is everything.

"Wal-Mart says, 'We're calling the shots, and if that's not appropriate for you [manufacturers], you can leave,'" says Brian Wansink, a marketing professor in the graduate business school at the University of Illinois at Urbana-Champaign.

Still, Wansink adds, "In general, I think competition is good for consumers and competition is good for business. People can always have the option of not buying these things."

The late Sam Walton, who began his business with a single store in Rogers, Ark., in 1962, had a simple formula for success: Provide low-price goods in a low-cost setting, making profits through volume and efficiencies.

As his empire grew and his headquarters moved to Bentonville, "Mr. Sam" found he could turn the old model on its head. Instead of the manufacturers giving the stores their suggested retail price, Wal-Mart was in charge. If a company wanted its goods in Wal-Mart's growing chain of stores, it had to agree on a price Wal-Mart was willing to accept, even if that meant moving its production overseas.

"It might seem counterintuitive, but Sam Walton started the process of saying you don't become successful by creating a process to have larger margins," Wal-Mart vice president Ray Bracy said in a PBS *Frontline* interview in September. "What you do is you work on supply-chain

efficiencies in many ways. You pass those savings on to the customer; you don't put them in your pocket."

A Wal-Mart spokesman did not return calls seeking additional comment for this article, but the record is clear.

Wal-Mart took full advantage of emerging bar code technology beginning in the 1980s. It quickly became the industry leader in using technology to track the movement of goods in stores and shipments from factories, to better gauge when stocks needed replenishing. Now it is moving into radio frequency identification technology for even greater efficiency. Its sophisticated use of technology also helps track its workers' pay and productivity.

Eugene Fram, a professor of marketing at the Rochester Institute of Technology in New York who has studied Wal-Mart for years, claims the company's use of technology is "second only to the Department of Defense" in hardware and software. "When an item is purchased here in Rochester, they know in 15 minutes in Bentonville, Arkansas."

But for all its genius with technology and efficiencies, Wal-Mart has plenty of detractors, from labor unions to beleaguered American manufacturers to other retailers. Unlike such economic powerhouses of the past as General Motors, Wal-Mart's model includes relatively low wages for its employees, who might be paid only \$8 an hour versus \$17.50 for a GM worker in the '70s. Many Wal-Mart workers are scheduled only part-time, and a majority forgo the offered health benefits because their portion of the cost would be

prohibitively expensive.

Further, many of these workers have little choice about where they work. No hard numbers are available, but one oft-cited statistic, from Goldman Sachs, estimated that between 800,000 and 1 million manufacturing jobs have been moved overseas since 2001 by U.S. companies or their suppliers. And retail jobs at Wal-Mart don't afford the same standard of living.

"The fact is, these are the jobs that are replacing the manufacturing jobs that are being sent overseas," says Elizabeth Drea, spokeswoman for Local 881 of the United Food and Commercial Workers Union, which fought two Wal-Mart proposals to move stores into Chicago. "There's a moral issue when people can't afford to take their children to the doctor and they're making a choice between food and the heat bill."

"We view Wal-Mart as a low-road, predatory company that destroys communities," says Dan Swinney, executive director of the not-for-profit Center for Labor and Community Research in Chicago, a consulting and research organization that specializes in new approaches to community development. Swinney also battled the two Wal-Marts proposed for lower-income neighborhoods on Chicago's West and South sides last year. Only the West Side plan made it through the city council.

Wal-Mart CEO and president H. Lee Scott Jr., in a rare radio interview on National Public Radio's *Tavis Smiley Show* last March, defended the company's wage and benefit system.

"We have to pay competitive wages, or else we wouldn't be able to get associates to work in those stores," Scott said. "Something people don't talk about is that [at] Wal-Mart almost 70 percent of the management team started as hourly associates in the stores and the clubs and were promoted. ... And so I think you

underestimate it if you think people only come for whatever that starting wage is. I think they come for the opportunity, in addition to making that living."

Critics of Wal-Mart admit the retailer gets more flak than its competitors, though some of those competitors have similarly low wages and the same importing policies. They say it's because Wal-Mart is the leader, and whatever it does, others will follow.

It's hard to find manufacturers who do business with Wal-Mart who are willing to talk publicly about the pressure to drop their prices. But some examples are well-documented, such as Ohio-based Rubbermaid, which lost a huge share of its business when Wal-Mart wouldn't allow a price increase to cover the rising cost of raw materials, and Master Lock, which moved most of its production from Milwaukee to Mexico to keep prices low. Last year, Radio Flyer Inc., the Chicago-based manufacturer of "the little red wagon," closed its 87-year-old local manufacturing operation and moved production to China, where it is cheaper to make the steel wagons sold at Wal-Mart, Target and other chain stores.

Also reportedly feeling the heat is Chicago-based Sara Lee Corp., which sells underwear and hosiery in Wal-Mart stores and faces competition on the shelves from Wal-Mart's own private-label items produced in China. Like Radio Flyer, Sara Lee officials would not comment for this story. But Sherif Mityas, a partner in the retail practice at Chicago-based management consulting firm A.T. Kearney Inc., says Sara Lee has reason to be nervous about its apparel side. With many of its plainer items, such as Hanes men's cotton T-shirts, brand names don't matter much to consumers. The cheapest shirt wins, no matter where it's produced. "They're in a much tougher spot," Mityas says.

American factory jobs started slipping



away after the North American Free Trade Agreement (NAFTA) took effect in 1994, eliminating barriers to cross-border trade and investment in Mexico and Canada. The goal of NAFTA was to create the world's largest free trade area through freer flow of goods, services and investments. Proponents said it would create jobs in the United States.

But the large numbers of NAFTA-linked jobs never materialized here. Meanwhile, some U.S. manufacturers decided to move south to Mexico. Once that trend had started, critics say, it was only a short leap to China, where factories already had been ramping up. Back in the late 1980s and early 1990s, Wal-Mart highlighted its "Buy American" campaign. Nowadays, Wal-Mart doesn't push that angle and reportedly imports a majority of the things that it sells.

There are lots of retailers just as nervous about Wal-Mart as the manufacturers are. Retail and service businesses potentially threatened by Wal-Mart's rise include consumer electronics stores, banks, pharmacies, gas stations and low-price apparel shops — all areas Wal-Mart is expected to focus more on in the future.

The Illinois Retail Merchants Association

isn't about to bash Wal-Mart, saying instead that the issue is how retailers can distinguish themselves when a supercenter comes to town. "It's not really an 'us versus them,' 'big versus little,' not at all," says spokesman Peter Gill. "The small store, what they provide is a variety, a spice, that the big stores can't."

Until his retirement at the start of this year, Mike Pryor took care to distinguish his grocery store in downstate Ramsey by selling fresh-cut meats, salads made from scratch and tasty bakery items. But it got tougher for the 6,000-



square-foot store after Wal-Mart opened a supercenter last year in Vandalia, about 12 miles away, says Pryor, who had been with Pryor's Foods for almost 40 years. Shoppers who used to have to drive longer distances to Effingham or Taylorville could easily reach the new Wal-Mart, and while they were picking up cheap diapers and furnace filters, they could buy inexpensive groceries.

"You won't find a town in rural America that has a Wal-Mart that has a good, active downtown," says Pryor, who also is chairman of the Illinois Food Retailers Association. Unlike a home-grown business, Wal-Mart has little use for local attorneys, accountants, bankers or other business support people. "All the money that Wal-Mart receives, the profits don't stay in the community. It all goes back to Bentonville, Arkansas."

So is the Wal-Mart phenomenon part of our road to ruin, or is it the smartest business idea in America today?

Viewed over the long term, the anti-Wal-Mart skirmishes aren't anything new. Nor is resentment over big business. The "robber barons" of the 19th century, men like steel magnate Andrew Carnegie, railroad tycoons Cornelius and William Vanderbilt and Standard Oil chief John D. Rockefeller, were seen by some as too powerful, too rich, too heavy with political influence. "In some sense, this is something that has always happened in this country," says Joel Mokyr, a professor of economics and history at Northwestern University in Evanston. "The hard truth is, the way Wal-Mart got the way it is, is not through political favors but through having a business model that works."

Yes, they pressure manufacturers to produce for less, but who gets that money? "It goes to the consumer. They make a healthy profit, but they have low prices. I have some sort of grudging admiration for Wal-Mart," Mokyr says. Wal-Mart is doing just what the laws of capitalism demand, the sort of "creative destruction" described by famed 20th century economist Joseph A. Schumpeter.

"This is the ultimate triumph of consumer sovereignty," Mokyr says. "They are giving the American people what the American people want."

Wal-Mart does help some manufacturers



by giving them access to its vaunted information supply about consumer habits and by providing huge markets in which to test new products, Mityas says. Suppliers also save money by shipping huge quantities to Wal-Mart, rather than a pallet here and a pallet there to smaller retailers.

"Wal-Mart, to their credit, does things that do make their suppliers' lives easier," Mityas says. On the other hand, Wal-Mart also demands transparency in its deals, asking suppliers to reveal their production, shipping and other costs so it can try to tighten up the margins, he says.

Effingham-based industrial real estate developer Jack Schultz says Wal-Mart has been a savior for some small towns. Schultz has researched Wal-Mart's huge distribution centers — facilities that send goods out to dozens of its stores — and says most are in what he calls "agurbs," small, rural communities with cheap land and a ready supply of hard-working people. That's the opposite of the old-style Kmart model of distribution, where warehouses were sited in metropolitan areas, Schulz says.

His advice to entrepreneurs? "You need to really look at what they are doing and how they are going with their distribution model." Schultz, author of *Boom Town USA: The 7-1/2 Keys to Big Success in Small Towns*, has taken his own advice. His company has just finished a 36,000-square-foot development in Bentonville, Ark., that he hopes will attract some of the hundreds of Wal-Mart vendors who keep offices in that town.

Some critics concede that the Wal-Mart phenomenon is here to stay. But they argue that the economic shift it produced doesn't have to be the harsh capitalism of creative

destruction. Laws can be passed and policies can be adopted to ease the plight of workers whose jobs are eliminated by the explosion in big box stores.

"You create the conditions that cause this to happen and say, 'That's just the way it is?'" asks Bob Baugh, executive director of the Industrial Union Council in Washington, D.C. "It's not by accident that this has happened, and government has abdicated its responsibility."

Wal-Mart's enormous efficiencies could become an engine to better the conditions for its employees, argues Nelson Lichtenstein, professor of U.S. labor history at the University of California at Santa Barbara and an expert on Wal-Mart. Softening the edges doesn't mean abandoning capitalism, Lichtenstein argues. Just look at European countries, where workers are better compensated and retailers still turn a profit.

"Wal-Mart can be good for the United States if its business model and its labor policies are reshaped," Lichtenstein says. "As it stands now, Wal-Mart is sort of an engine of inequality."

Whatever the critics think, they might take comfort — and Wal-Mart might take heed — in remembering that all economic trends change, eventually.

"Very simply, at some point, somebody will out-Wal-Mart Wal-Mart," says Fram, the RIT professor. "Wal-Mart came along and took care of Sears, Wal-Mart took care of Toys 'R' Us, Wal-Mart took care of Kmart. Wal-Mart is not immune. That person is probably alive now and will think of a way to out-Wal-Mart Wal-Mart. But it could take 20 to 30 years. I just hope I buy the stock." □

Stephanie Zimmermann is a reporter for the Chicago Sun-Times and a frequent contributor to Illinois Issues.

IN MEMORY

Michael H. Hudson was vice president of public affairs at Illinois Tool Works Inc. and chairman of the *Illinois Issues* board at the time of his death in 1992. In his memory, fellow board members established an annual article to examine an economic trend in Illinois and its relationship to public policy. This feature is funded by a donor who asked to remain anonymous.

SAVE THE GOLDEN GOOSE

*One way to reduce outsourcing
of American jobs is to revise the nation's tax policies*

by Ronald Spahr

Maytag's recent decision to close its plant in Galesburg and send a major portion of the work 1,600 Illinoisans had been performing to a new factory in Reynosa, Mexico, is the most recent example of the down side of globalization of the economy.

After a decade of tax breaks and union concessions, Maytag shuttered its factory, which had been making refrigerators in that western Illinois town for more than 50 years. The company also decided to outsource other jobs to Daewoo, a Korean multinational subcontractor that is expected to build a plant in Mexico.

Galesburg isn't alone, though. A study for the U.S.-China Economic and Security Review Commission by Kate Bronfenbrenner of Cornell University and Stephanie Luce of the University of Massachusetts found that the number of jobs lost during the first three months of 2004 exceeded by five times the U.S. Bureau of Labor Statistics' estimate of 4,633. The study estimated that in 2004 more than 400,000 jobs were shifted from the United States to other countries. That's nearly twice the number in 2001 and represents about one-fourth of all mass layoffs in 2004.

Generally, as is the case for Maytag,

higher-paying manufacturing jobs that are transportable are outsourced to developing countries, leaving lower-paying nontransportable service jobs to American citizens. Job outsourcing is the result of "labor arbitrage," which involves movement of jobs to other locations where the same product can be made at a lower cost.

Such globalization of the "free" market is the product of advancements in

education and training in developing countries, technical advances, cheaper communication systems, more cost-efficient transportation systems and the portability of capital emanating from increasingly efficient worldwide banking and capital markets.

Job outsourcing from developed to less-developed countries will persist as long as realizable differences in production costs exist. Economic equilibrium, where job movements are solely attributable to natural comparative advantages and such factors as the price of nontraded goods and the level of exchange rates, will occur when production costs across countries throughout the world are essentially on par.

The cost of labor, however, is only one factor affecting overall production costs. Another is the cost of corporate taxes and the personal taxes on dividends, capital gains and interest payments to individuals. Thus, I recommend the elimination of corporate taxes and the creation of a flat 28 percent tax rate on personal income.

The burden of current taxes on corporations and their stockholders and bondholders is literally killing — taxing to death — the goose that is laying the golden egg. Drastically changing the current tax



structure in the United States might substantially reduce the cost of production, lessening the incentive to outsource jobs. It might also increase the incentive to create new high-paying American jobs.

Yet, current discussion focuses on using a stick rather a carrot. The United States and other developed countries are considering legislation aimed at retaining at-risk jobs. Here in the United States, Congress is considering legislation that would block companies from using foreign workers on state or federal contracts, create and enforce tax penalties on firms engaged in outsourcing and require foreign call-center employees to identify their locations. However, these restraints are likely to be ineffective and may result in lowering living standards in the United States and in other developed countries that adopt similar constraints and penalties.

Because current job growth in the United States has been predominately in the lower-paying service sector, job creation in and of itself should be considered, along with the goal of achieving the highest possible standard of living for Americans. Instead, prevailing wisdom in the United States calls for penalizing firms for exporting jobs and attempting to require domestic firms to produce products in this country. The problem with this policy is that, with the current tax structure at home and cheaper labor available in developing countries, products manufactured in the United States will be relatively more expensive than competing products from abroad.

Forcing U.S. consumers to buy higher-cost domestically manufactured products will, in turn, prompt this country to place import duties and restrictions on similar products that are otherwise importable from lower-labor-cost countries. Forcing American consumers to buy higher-priced products made in the United States will reduce consumer buying power and, in effect, reduce America's standard of living.



World leaders pictured at a July 1992 economic summit in Munich, Germany. This photograph is from the collection at the George Bush Presidential Library.

Rather than using a combination of restrictions and penalties (the stick approach), the United States and other developed countries would fare better with economic incentives (the carrot approach) by fostering a healthier economic climate for private sector business. This approach might ameliorate the impact on Illinois and the United States from globalization during the transitional period toward normalization of worldwide living standards.

In the recent past, U.S. communities and states have used lucrative financial and tax incentive packages to lure and retain businesses. These communities feel a sense of betrayal when, subsequently, such companies bail out. The betrayal is even more acute when those companies move operations and jobs to a developing country.

Instead of reacting vindictively, though, the most effective solution for reducing the foreign outsourcing of jobs due to globalization would be cooperation between the public and private sectors to improve the general economic climate rather than focusing on subsidies for individual projects or companies.

This cooperative effort would require government to examine its current regulatory and business incentive and tax structures, which businesses use to

balance short-term interests against the long-term common good. Unlike the current emphasis on shorter-term goals, strategic longer-term planning in both the public and private sectors must be emphasized. The economic climate and its effect on the dynamic, longer-term economy must be considered.

Most analysis by individuals in the public and private sectors treats the nation's economy as a static entity that is unaffected by the business environment and tax structure. Accordingly, these analysts are induced to propose short-term deficit-reducing and job-creating policies. Indeed, current tax policies in the United States demonstrate the short-term perspective of both federal and state governments.

Of course, fundamental to a market economy is the concept that providers of capital to a firm (stockholders and debtholders) must be paid a return that will justify the use of capital. For example, long-term nominal returns for stockholders of corporations have been between 10 percent and 12 percent. Profitable firms usually generate returns higher than the minimum required, thus increasing the value of the firm to stakeholders. Government provides no direct capital input to the firm; however, through income taxes,

government extracts part of the firm's value. As a result, government benefits from corporate profits along with stockholders.

Using an extension of a theory devised by Franco Modigliani and Merton Miller, both Nobel Prize-winning economists, we can estimate the components of a firm's value, which is divided among stockholders, debtholders and the government. Beginning with the assumption that there were no corporate or personal income taxes (a very unlikely event), the total value of the firm would be divided between stockholders and debtholders. However, under our current tax system, corporations must pay taxes on revenues after operating expenses and interest expenses have been deducted. Stockholders, in turn, must pay personal taxes on dividends and realized capital gains, and debtholders must pay taxes on interest received. Thus, government receives revenues from four separate taxes on the profits of the firm.

By doubly taxing corporate earnings and collecting personal taxes on interest payments, taxing authorities (federal and state governments) have a relatively large financial stake in private firms that ranges between 38.5 percent and 49 percent, depending on the capital structure of the firm. In turn, the stockholders' stake ranges between 11.5 percent and 51 percent. In the case where stockholders own only 11.5 percent, debtholders would own a 50 percent stake and government would own 38.5 percent. Under the current tax system, firms can reduce the government's stake only by increasing the amount of tax-deductible debt. However, adding debt will, in turn, reduce the stockholders' stake and create more financial risk.

A fundamental premise essential to formulating a more favorable economic environment is that private business is better at using capital to create and retain jobs — and that it reinvests a higher percentage of its revenues than government. In short, government, through taxes, takes revenues from businesses that they could use to expand and create new jobs. Meanwhile, government will do little to create high-paying, highly productive jobs. Thus, a larger government financial stake in a company (high taxes) combined with a smaller stock-

holder stake creates an economic environment that significantly reduces incentives for capital formation, job creation and job retention.

I argue that U.S. firms are choosing to export jobs not only because of differences in labor costs, but because of the adverse U.S. tax structure and the high stake government extracts from private business. U.S. firms in many sectors of the economy where jobs are transportable cannot compete with foreign competitors. Domestic firms are even required to pay taxes on foreign operations — whereas, foreign competitors are not — thereby increasing the disadvantage to U.S. firms.

We have policy choices in dealing with this problem. A sensible one is to eliminate corporate taxes and create a tax-free business environment that will provide economic incentives for firms to retain and create higher-paying jobs. Retained earnings that are used for foreign capital expansion could be taxed. Eliminating corporate taxes in favor of taxes paid as personal income by stockholders and debtholders would increase the amount of capital businesses have available for investment and reduce the cost of capital for firms.

Because of the reduction in government's percentage stake in the firm and the resulting lower capital and operating costs, the long-term effect of eliminating corporate taxes would be to allow domestic firms to make products at lower costs, thereby increasing exports, reducing the imbalance of trade and effectively increasing the standard of living for the American people.

Another advantage of eliminating U.S. corporate taxes is that developing countries cannot afford to follow suit because their populations' personal incomes are insufficient to provide tax revenues to finance badly needed infrastructure improvements and government services. Thus, developing nations will be required to retain corporate taxes, thereby equalizing production costs with developed countries and reducing the incentive for moving jobs to these countries.

Further, by implementing a 28 percent flat tax system for personal income taxes, the government could continue to raise revenues comparable to the

In short, government, through taxes, takes revenues from businesses that they could use to expand and create new jobs. Meanwhile, government will do little to create high-paying, highly productive jobs. Thus, a larger government financial stake in a company (high taxes) combined with a smaller stockholder stake creates an economic environment that significantly reduces incentives for capital formation, job creation and job retention.

current system. A flat tax system could be designed to allow each person a standard deduction of, for example, \$10,000. Thus, a family of four would pay no taxes until its income was greater than \$40,000. A tax rate after the personal deduction might be in the neighborhood of 28 percent. Currently, Russia has had considerable success with its flat 13 percent personal income tax that is devoid of personal deductions.

A tax policy that eliminates corporate taxes and establishes a flat personal tax rate of 28 percent would still result in a 28 percent government's stake in private business when calculated in total dollars raised, though the government's percentage stake would be lower. Almost 90 percent of the up to \$500 billion in such compliance costs as record keeping would also be saved. Such a policy is reasonable and workable and could go a long way toward keeping businesses such as Maytag from pulling up roots and moving jobs to Mexico. □

Ronald Spahr is a professor of finance at the University of Illinois at Springfield. He holds the National City Distinguished Professorship in Banking and Finance. Spahr based this essay on a technical paper he plans to present.

AMERICA'S REAL JOBS PROBLEM

Globalization and technological change are driving a widening divergence in wages, wealth and economic opportunity

From a speech by Robert B. Reich

This is a transcribed version of a public presentation. Reich delivered this speech in October as part of the 2004-05 Distinguished Public Policy Lecture series at the Institute for Policy Research at Northwestern University in Evanston.

For the past 25 years now, you can see a pattern in which the divergence between rich and poor, or more specifically the divergence between every rung on the economic ladder between rich and poor, is widening. It is a divergence not only of income but also of wealth and, to some extent, of economic opportunity. The middle class, and particularly, the lower middle class — what we used to call the working class — have found themselves over the last 25 years in deeper and deeper trouble. Their wages and benefits, adjusted for inflation, have gone nowhere. People who only have a high school degree have found themselves in deeper economic trouble — not just in terms of wages and benefits but also in terms of the security of their source of income.

Why is that? What is going on? There are basically two things going on. One is globalization. I am reluctant to use this word because rarely in public discourse has a word like this one gone so directly from obscurity to meaninglessness without any intervening period of coherence. The second is technological change. Now, globalization and technological

change do not together explain all of the widening divergence, but they explain much of it.

Globalization is complicated for many people to understand. Many of us have spent years trying to understand it because there is in the public's mind a cartoon version of globalization that focuses on trade and assumes that the global playing field of trade is between our U.S.-based companies and their companies, be they French, British, Canadian, Japanese, Chinese, or whatever. In this vision, the extent to which our companies are successful means we are more competitive and the extent to which they are more successful in terms of exporting more of their goods and services means they are more competitive. Well, that cartoon version is inaccurate. It is not reality. The reality of globalization has a lot to do with trade but also with direct investment across borders: a company there investing in production facilities here; a company here investing in suppliers there. It is a global web of enterprise that increasingly characterizes most companies.

I was, as you know, secretary of labor [from 1993 to 1997]. And one day our family car died. We needed a new car, so we went out to a Toyota dealer. And I found a Toyota that perfectly met our family's needs. But then my wife, being a wiser and subtler politician than I, reminded me that I was Secretary of

Labor of the United States. So I immediately left that dealership and went with her to another American-brand dealership. And I found another car that was pretty good, almost as good as the Toyota, and I said to the dealer of the American brand, "I know it has an American nameplate but I want you to tell me honestly, 'Was this car made here in the United States by American workers or was it made abroad by non-American workers?'" He looked at me for a long instant trying to decide — was I one of those or one of *those*? Finally, he looked up with a smile and said, "Well, which would you prefer?"

The reality is that it is hard to find any product, whether it is cars, airplanes or any service product, that is completely made here in the United States. Everything is made everywhere. In fact, the standard of living of people in any place around the globe, and in Evanston, in Illinois, and in the United States depends not so much on the profitability of companies that are headquartered where the workers live but increasingly on the value that they add to this increasingly integrated global economy — regardless of whom you work for.

...

I was talking about this issue not long ago, and I realized that I had a very personal, almost existential, relationship with this: About 10 years ago, I had to



have my hips replaced. I went to the Brigham and Women's Hospital in Boston, which does this procedure very well, and they gave me a brand new pair of hips. Now I have beautiful new hips. I cannot show them to you, but they are lovely, lovely hips. I was talking about this issue of globalization, and I realized I had not made a very fundamental inquiry. So I went back to Brigham and Women's. They discovered that my lovely new hips were fabricated in Germany and designed in France. I have French designer hips. Actually, I should say, "Liberty Hips."

But you understand the point I am making. As we have seen more and more global integration through trade, direct investment and portfolio investment, we have seen that those who have a very good education and those who are well connected — and those connections have also to do with education — are reaping many benefits from globalization. Globalization often means a larger and larger market for your skills, for your insights, for your ideas, for your creativity, for your innovations. But if you don't have very much education, the chances are that globalization has the opposite effect because now there are millions of people around the world who would be delighted to work for a fraction of your wages. Globalization helps and enhances the value of people who add great value to the global economy.

Globalization undermines the economic security and the wages of people who do not have much education and who are doing relatively routine things, like manufacturing, insurance claims adjusting or almost anything else that can be done easily elsewhere.

By the way, people are very concerned about outsourcing abroad. They are saying, and have said for the last couple of years, "Oh, this is terrible. It means that high-tech workers in the United States, their wages and benefits, are going to be undermined because Indians and Chinese can do it so much more cheaply." Well, eventually, maybe 15 or 20 or 25 years from now, outsourcing might have an effect on the wages and benefits of a lot of people with a lot of education in the United States, but not for many, many years. We are talking about a very tiny sliver of the American workforce, particularly the well-educated workforce. And we are talking about, again, a set of jobs for which there is greater and greater demand. Innovative, creative, insightful work is in greater and greater demand given the underlying structural changes in American industry. So outsourcing is certainly something that people can get upset about and certainly something that becomes politically contentious in an election year. But once the economy comes back, once jobs come back, once we get back on the upward trajectory of that business

cycle, people who are well educated will not be concerned about outsourcing.

If you look at the wages and benefits adjusted for inflation of people who have college degrees, median wages, and benefits of college degrees, they continue to be on an upward escalator — outsourcing or no outsourcing. The people we need to be worried about are the people we used to talk about as the working class. And it is not just globalization; it is also the second issue of technological change.

Now you remember, I am sure, that there used to be a lot of people called telephone operators, and there used to be people called bank tellers. I tell my students that there was a time when you had to deal with a person in order to make a deposit in a bank or get money out of a bank. And they say, "Really?" And some of you may remember when there were "service" stations. Anybody remember those service stations? Just before I went to Washington as secretary of labor, I used to go to a full-service station. I would stop the car, people would come out, they would ask me questions, they would check the oil, and they would wash the windshield. I went back to that same place after I got back from Washington, and there was nobody there, nobody.

Not too long ago a governor of a Midwestern state, who shall remain nameless, asked me to come out and

I think we have to invest substantially in our people, in our workers, in terms of education and health care, and a whole bunch of social programs that allow people to make the most of their God-given talents and abilities. That means taxing people who can afford to be taxed to a greater extent than they were taxed before, given the crisis that we are now in.

help him celebrate the fact that he had just lured a factory from Europe. I came out for the big fanfare, and I actually got a tour of the factory. It turned out there were, I counted, four jobs. Most of the factory work was done by centrally controlled machine tools and robots, and there were four technicians sitting behind computer consoles doing all of this. It is nice to land a factory, but if you are really concerned about jobs, technology itself is supplanting a lot of what we used to assume were fairly good jobs in the United States. Even if we were to be so unwise as to put a wall around the United States and cut off all international trade, technology would still be getting rid of a lot of jobs. It doesn't mean these people don't have jobs. It just means they don't have the jobs they had before.

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Just like globalization, technology is your friend if you have a lot of education because technology enables you to

leverage your education and enhance the value of what you do. Computers and e-mail and all the other accoutrements of modern working life allow you to increase your productivity and enhance the value of what you are adding — particularly if you have a good education and good connections. But that same technology can undermine the value of your job if it competes with you, if it is software that is doing exactly what you used to do. If you are a claims adjuster for an insurance company, if you are a stockbroker only making trades or if you are a travel agent, today software exists that can do your job much more cheaply. So your job is undermined. You have to do something else, but what is it that you do?

What happened to all the people who have been displaced by globalization and technology — the telephone operators, the bank tellers and the service station attendants? The people who have been displaced by globalization and technology who no longer have the secure, good working-class or middle-class jobs that they used to have? Most of them are moving into the personal service sector of the economy. This is a sector of the economy that doesn't compete globally and does not compete with software. I am talking about retail, restaurant, hotel, hospital, surface transportation, eldercare, childcare and construction jobs. Many of these jobs don't compete internationally because they have to be done here. And they don't really compete with software because they necessitate personal attention. The problem is that, given workforce supply and demand, there are so many people moving into the personal service sector of the economy that the education levels that are demanded are often not terribly high. Thus supply and demand dictates that their wages and benefits, if there are any benefits, are going to be fairly low.

Hence, because of globalization and technological change, we see a labor force that is splitting between professionals and personal service workers. Overall, professionals are doing well and will continue to do better — outsourcing and the business cycle notwithstanding. Personal service workers, on the other

hand, are doing worse and worse. The people in the middle, the working class and the lower middle class, they seem like they are disappearing as we saw with factory workers, telephone operators and claims adjusters, but they are really not. Many of them are falling into the personal service sector.

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It seems to me the only long-term answer has to do with investments in education, K through 12, early childhood education and better access to post-secondary training. Not everyone has to have a four-year college degree, but generally people do need at least one year after high school to acquire some technical skills. I don't mean the old kinds of vocational education because jobs become too obsolete too quickly. I am talking about mastery of a domain of technical knowledge that enables people to continuously learn on the job, such as technicians' jobs — laboratory technicians, hospital technicians, office technicians. There is a tremendous demand for these people who can install, improve upon and maintain all sorts of machinery. We need them. Those jobs would pay a lot and could create a new middle class. But we are not training people for these jobs.

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I think we have to invest substantially in our people, in our workers, in terms of education and health care, and a whole bunch of social programs that allow people to make the most of their God-given talents and abilities. That means taxing people who can afford to be taxed to a greater extent than they were taxed before, given the crisis that we are now in. What is a country about? What is a society about if we are not about providing opportunities to all of us to make the most of our abilities and talents? And what is a society about if we are not all wedded together as citizens to ensure that people do have those opportunities? □

Robert B. Reich, a former U.S. secretary of labor, is University Professor and Maurice B. Hexter Professor of Social and Economic Policy at Brandeis University.

Brain drain

State agencies lose more than staff size
when veteran employees are cut from the payroll

by Chris Wetterich

When Andy West was laid off last month, the state lost a man with decades of expertise in forestry and natural areas. Until January 14, West had worked for 30 years for the Illinois Department of Natural Resources in various jobs, most recently as site superintendent for the 5,200-acre Trail of Tears State Forest in southern Illinois.

West, who has a doctorate in zoology, moved up through the department after starting as a natural areas biologist in central Illinois. His later responsibilities included efforts to preserve the state's natural lands. He also participated in a three-year study to identify Illinois' last remaining undisturbed natural areas.

As superintendent of the Trail of Tears forest, West says he used his experience to preserve wild lands for recreational enthusiasts and conservationists who want to study the area.

The Department of Natural Resources is not the only state agency losing workers such as West. Clerical workers and caseworkers in the Department of Human Services say workloads have increased as staff numbers have decreased due to layoffs and early retirements. Ditto for the Department of Transportation, which has lost engineers with decades of experience.

Critics of the state's recent layoffs and early retirement programs say loss of such workers dilutes the institutional memory of state government and could eventually cause irreparable harm.



Gov. Rod Blagojevich, they argue, must raise additional revenue — through tax increases or other means — to stop the hemorrhaging of jobs and experience from the state payroll.

“What I find amazing is there are people in both parties who believe experience in government doesn’t count. Ultimately, there will be a lot of mistakes and they could be costly. Whether it’s a doctor or a mechanic, you don’t want to go to someone who’s inexperienced,” says Dick Adorjan, who, until he retired in 2003, served as the Department of Transportation’s public affairs director for 33 years.

The governor’s office counters that

job cuts don’t affect state services and that they are a necessary and painful part of rehabilitating the state’s fiscal health.

Others point to self-interest on the part of state agencies and their employees. They say public employee unions, desperate to save the jobs of their members, exaggerate the effects of the so-called brain drain in state government. Job cuts in state government and the private sector, they say, are a natural part of the nation’s economic transformation from heavy industry to service and technology.

In fact, the two-year-old Blagojevich Administration has faced major budget deficits from the beginning. During his first year, the estimated hole was \$5 billion. Last fiscal year, it was \$2.5 billion.

There have been no concrete budget deficit estimates released for the 2006 fiscal year, which begins July 1. However, the General Assembly’s Economic and Fiscal Commission projects a meager \$325 million in revenue growth. To put that in perspective, the state owes \$600 million in additional payments to the state’s five public employee pension systems, and last year’s budget was balanced using \$900 million in one-time revenues.

Before the 2002 early retirement program under Gov. George Ryan began, state government had a total of 86,406 employees, according to the commission. This figure doesn’t include workers at the state’s universities. By the time the program ended, there were slightly fewer

than 74,000 workers. The headcount as of April 2004 was 73,228. That would not include the 1,300 employees who retired under a Blagojevich early retirement program in late 2004. The state has shed 15 percent of its workforce since the end of the Ryan Administration.

The state workforce controlled directly by Blagojevich has been reduced from about 63,000 to 59,000 since he took office, a reduction achieved through attrition, layoffs and early retirements, says Becky Carroll, spokeswoman for the Governor's Office of Management and Budget.

None of Illinois' neighboring states, other similar Midwestern industrial states or the other largest states in the nation shed as many workers as Illinois did between 2002 and 2003, according to *Illinois Issues'* analysis of the most recent figures available from the U.S. Census Bureau.

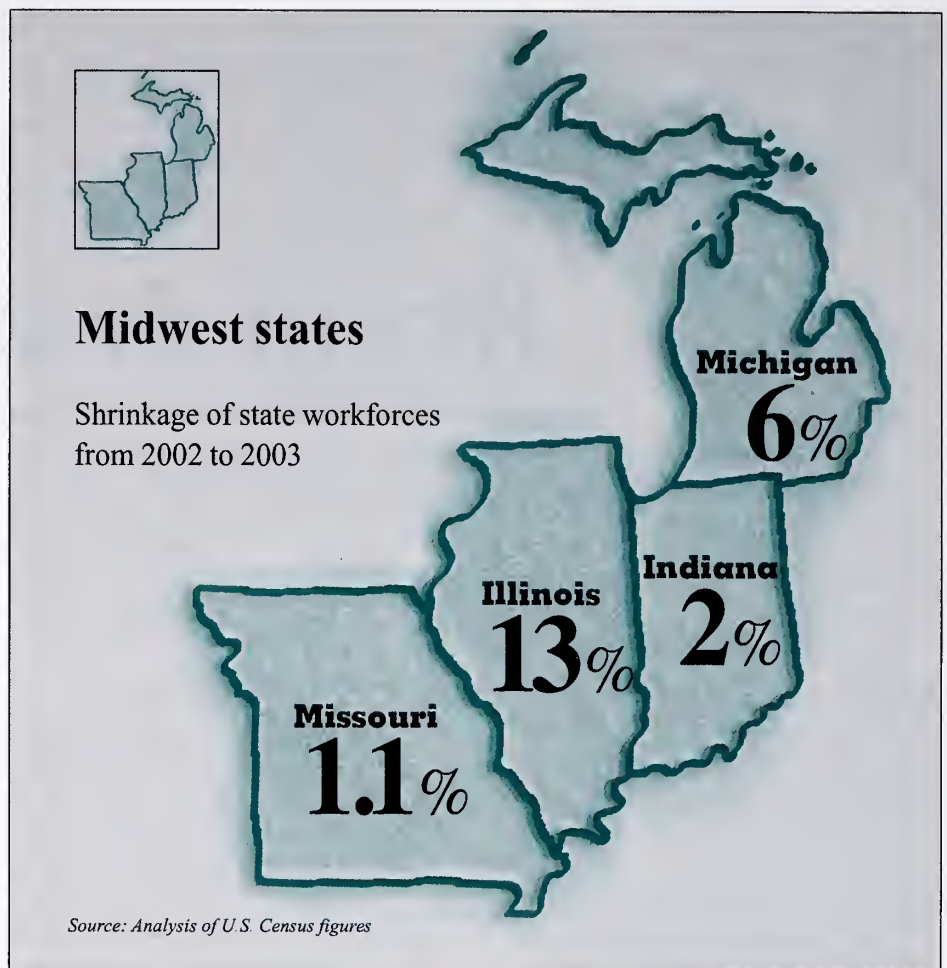
Illinois lost 13 percent of its non-higher education state workforce during that period. Michigan came closest to Illinois, with a 6 percent decrease. Ohio reduced its state workforce by 1.5 percent.

Among states larger than Illinois, New York lost 2 percent of its workers and California, Texas and Florida all had slight increases in the number of state workers. Among Illinois' neighbors, Missouri decreased its workforce by 1.1 percent and Indiana lost 2 percent.

The Department of Natural Resources, which took the most recent hit through layoffs, has lost 28 percent of its frontline union workforce since Ryan left office, the largest percentage of any department. It went from 2,366 to an expected total of under 1,700 after the latest round of layoffs, according to the American Federation of State, County and Municipal Employees Council 31 — the largest union representing nonmanagement Illinois state workers.

The natural resources department lost 37 employees in October and an additional 87 last month. The layoffs will save \$2.785 million in the 2005 fiscal year budget, agency spokesman Joe Bauer says.

However, state Rep. Mike Boland, an East Moline Democrat, has introduced a proposal to save the jobs of West and the other 86 natural resources employees. The measure would divert funds from the Fish and Wildlife Fund, which is partially



federally funded, to pay the workers. The fund is running a \$23 million surplus.

The number of layoffs may seem a small, AFSCME says, but it includes experienced site managers like West and key backup personnel, including clerical workers, auto mechanics and security workers in a department that had already been hit hard by early retirements and layoffs.

Early retirement programs during the administrations of Jim Edgar, Ryan and Blagojevich have saved the state money, but, in each case, not as much as expected. The Edgar and Ryan early retirements in 1991 and 2001, respectively, offered employees the option of buying up to five years' worth of service and age credits to bolster their pensions and allow them to retire early.

The Blagojevich plan was two-tiered. During the first phase, workers received double the amount of their pension contributions plus interest. Workers would then not draw a pension. During the second phase, workers were offered a week's salary for every year they served through their 13th year of employment.

Those workers would be eligible for their state pensions at retirement age. The second option was not offered until the signup period for the first had expired.

During the 1991 early retirement program, the state expected to save \$50 million but only saved about \$37.5 million. Some workers were rehired on contract and many positions unexpectedly had to be filled immediately.

During the 2002 early retirement program, retirees were barred from coming back to work for the state. That move saved the state \$585 million in fiscal year 2004, according to the Economic and Fiscal Commission. But the savings will be offset by the amount the state has to pay to its pension funds because 11,000 workers took the buyout, a significant increase over the 7,300 that were originally estimated.

In fact, the Ryan program added \$2.3 billion in accrued liability to the State Employees' Retirement System. That pension fund will need an additional \$280 million a year over the next 10 fiscal years due to the buyout. Originally, the estimated cost was only \$70 million a year.

The state will still save about \$275 million a year because of the Ryan early retirement program, according to the commission. But Blagojevich's budget office has argued that estimate doesn't account for the original plan to fill half of those positions. Because of the fiscal crisis, Blagojevich only filled about 1,000 of them.

Last year, in an attempt to save more money, the Blagojevich Administration hoped to cut 3,000 workers through early retirement, but only 1,300 signed up. The initial savings estimate was \$70 million. As of mid-January, number crunchers at Central Management Services and the State Employees' Retirement System had not yet calculated how much the program will save.

Whatever the savings, AFSCME leaders point to a recent report by the U.S. Census Bureau that shows Illinois has the lowest ratio of state workers to residents. A day of reckoning is nearing, the union argues — and in the case of some departments, is already here — when Illinoisans will start to feel the effects of a reduced public workforce.

"They [in the Blagojevich Administration] are trying to pretend these cuts are not having any impact and we're only cutting the fat," says Henry Bayer, AFSCME's executive director. "It's not true. They are deep into the bone of state government."

Greg Blankenship, director of the Illinois Policy Institute, a Springfield think tank focused on limiting the size of government and strengthening free enterprise, believes Illinois should be at the bottom of the pack when it comes to the proportion of state employees to population. (California, Florida, Texas and New York also rank near the bottom of the Census list.)

"This is a lot of bellyaching over things we are seeing throughout the economy," he says. "States and large enterprises are having to come to terms with having to do more with less. We're the fifth-largest state. That's more of a statistical point regarding economies of scale. It's really a nonissue."

Carroll, the governor's budget spokeswoman, concedes belt-tightening has cut some programs and folded others into one another, but she maintains that each agency has an adequate number of

workers to provide core services, including the Department of Natural Resources. No services have been eliminated or reduced because of lack of experienced personnel, she says.

"We've had minimal layoffs across all departments. I've yet to see people scream, 'Where are our services?'" Carroll says.

At natural resources, eight of the state's forestry districts have no forester, meaning one is now responsible for 50,000 acres or one-sixth of all departmental land. Twenty-five percent fewer trees are being planted by the agency. And the number of citizens trained in safety classes for hunting, fishing, boating, trapping and snowmobiling fell by 7 percent, AFSCME says.

Even more critical are the apparent shortages in other agencies. Some Illinois citizens have to wait longer for Medicaid cards and food stamps from the Department of Human Services because of understaffing, according to reports the union has gotten from its members.

During the Ryan Administration, the number of caseworker positions at that agency dropped by 27 percent, while the number of cases increased by 15 percent, according to AFSCME. A frontline caseworker saw his or her workload increase by 58 percent by the end of 2003, the union report says.

"It sounds so bland to say you have to wait a little longer to get your services, but when you're talking about a single mother with a couple of kids who has to wait a month to get food stamps or somebody who has to wait six weeks to get disability — this is people's livelihoods we're talking about," says Anders Lindall, AFSCME's director of public affairs.

"They're not bureaucrats who sit in an office in Springfield and push papers around. In the Department of Public Aid, their child protection investigators go around to dangerous situations. In the Department of Human Services, they have to know all the ins and outs of eligibility for various programs and help people find jobs."

Carroll says Medicaid checks have been delayed because of an extended payment cycle that ensures people are not knocked off Medicaid rolls and get

Early retirement plan savings



1991 Edgar plan *
Original estimate \$50 million
Actual savings \$37.5 million

2002 Ryan plan
Original estimate \$585 million
Updated savings \$275 million

2004 Blagojevich plan
Projected savings \$70 million

* Source: Illinois Issues, June 1992

the health care they need, not because of fewer personnel to process claims.

At the Department of Transportation, meanwhile, some experienced engineers left because of the stressful conditions of working in offices ravaged by early retirements, says Adorjan, the former agency official. It will be hard to replace those types of workers because of the amount of time it takes to become licensed.

"If you're an engineer, you come out of school, you're in training for four years before you can take the professional engineer exam."

Adorjan says the average road project is quite complex because the engineer must plan it in a way that keeps traffic flowing, gets the project done expeditiously and ensures the safety of workers.

Carroll argues the transportation department actually got more work done in fiscal year 2004 with fewer workers than in 2003. It repaired 1,237 miles of pavement and fixed 249 bridges with 6,125 workers in 2004. The department was originally budgeted to repair 1,074 miles and fix 246 bridges. And in 2004, the

***"Oh my God, they don't
have secretaries," says
Greg Blankenship.***

agency had 212 fewer workers, she says.

"They got more done with less staff and that primarily has to do with staff stepping up and taking additional responsibilities and using new and better technology," she says.

Many of the veteran engineers who took early retirement were administrators, Carroll says, but "while the new engineers that were brought on board may not have the same amount of experience, they do have the most up-to-date knowledge of changes in engineering technology."

But, union officials say, experienced state workers are vital because they bring problem-solving skills and younger workers learn from them.

"The new people coming in are coming into a shrunken workforce. They have more things to learn than somebody that had a more narrow scope of responsibility," Bayer says, "and there are less people around who you can ask."

Blankenship counters that there are advantages to a younger workforce and that governments have never collapsed because veteran workers have left.

"Road construction isn't brain surgery," he says. "As Charles de Gaulle said, 'The cemeteries are filled with indispensable men.' Other people will step up. They'll have newer ideas, and they'll probably be more interested in finding new ways to solve problems. They'll utilize technology better."

But it's not just AFSCME — whose job it is to save the jobs of its workers — that is complaining. With the latest round of layoffs at the natural resources agency, a chorus of voices in the conservation and outdoors communities is objecting to the cuts.

The department has 313 parks, recreation, fish, wildlife, hunting and natural areas. Of those, 121 are staffed facilities with 79 superintendents to manage those sites.

Bob Becker, president of the Illinois Federation for Outdoor Resources, a

group representing 75,000 outdoorsmen and women, says the cuts at natural resources have already affected programs and services dramatically.

"You're getting managers and biologists answering phones and doing clerical work instead of being in the field where they need to be" due to the layoffs of secretaries and other support personnel, he says.

That's true of too many professionals across state government who find themselves doing time-consuming clerical work, Bayer says. Adorjan, the former transportation official, says lack of clerical workers means people who call up an agency end up getting transferred four or five times. That is not, he says, good customer service.

But others play down the importance of clerical workers and say cutting them goes along with the state's current finances.

"Oh my God, they don't have secretaries," says Blankenship. "Have people ever in the course of human history been happy with service they got from the government? That's a tough one to swallow. The state could build a decent Web site and probably answer 80 to 90 percent of the questions people call about."

Carroll says even the governor's staff has a ratio of about five or six professionals to each clerical worker.

"If we need to step up and work more to get the job done, that's the commitment we have to make. That's the fiscal reality," she says.

The governor's office should not share all of the blame, Carroll adds. The General Assembly must bear some responsibility for rejecting some of the governor's revenue enhancements last legislative session. And while AFSCME says it supported the governor's initiatives, the administration feels the union did not do its part in lobbying legislators to pass them.

"In the legislative process, it takes a lot more than talk to make things happen," Carroll says. "Any outside organization that may be unhappy with the results today ... needs to make their voices heard."

West, the former forest supervisor, along with representatives of advocacy groups who deal with natural resources, insist programs already have been chopped because of a loss of experienced personnel.

Citizens are feeling the loss, they say.

Becker of the Illinois Federation for Outdoor Resources says that during turkey hunting season many people didn't receive notice of a lottery drawing for permits until five or six days before the drawing. He also says a program his group had been organizing to allow private landowners to host bow hunting of deer for a nominal fee was left to wither.

"That program went bye," Becker says. "Nobody had time to work on it. The guy who was working on it has about six hats to wear. It's going to take years to recover what we're losing."

West points to an award-winning program at the natural resources agency called Eco-Watch that he says slowly died because staff was eliminated. The program involved about 16,000 state residents who monitored rivers, streams and other natural resources. Citizens would be trained by agency staff to learn about what kinds of invertebrate animals should be in a healthy stream. The program helped alert natural resources workers to environmental problems in streams.

"They became citizen-scientists. You involved the public in environmental health," West says. "The people who developed these programs are gone."

Agency heads have not taken the decisions to reduce staff lightly, Carroll says, but they know what their needs are. "Management believes they can get the job done without those positions. We're going to trust their judgment."

AFSCME says jobs such as West's could be saved if the governor would open his mind to income and sales tax increases or various proposals to expand gambling that have been floated since Blagojevich took office.

Becker's group suggests it will push in future legislative sessions for a one-eighth of 1 percent sales tax increase to provide the natural resources agency with its own source of funding. Under the proposal, the department would be separated from the governor's control and run by a commission.

But such proposals appear dead on arrival. Carroll says the governor will not "take the easy way out" and budge on his no-tax pledge. □

Chris Wetterich is a reporter for The State Journal-Register in Springfield.

LINCOLN'S SIGN

*The Great Emancipator subscribed to no specific creed
but came to believe a divine purpose called him to end slavery*

Essay by Allen C. Guelzo

Abraham Lincoln was very likely the first American president never to have belonged to a church. This was not simply a matter of indifference or oversight. He was very conscious of the fact that this hurt him politically.

"That I am not a member of any Christian Church, is true," he admitted in 1846, and this "levied a tax of a considerable per cent upon my strength throughout the religious community." But shrewd as he was politically, Lincoln made no effort to repair this damage by feigning some form of religious profession.

In young adulthood, he developed a risqué reputation as an "infidel" who wrote "a pamphlet attacking the divinity of Christ — Special inspiration — Revelation &c —." In midlife, Lincoln's attitudes softened, and he was willing to concede that "the Christian theory, that, Christ is God, or equal to the Creator ... had better be taken for granted" even though it came "to us in somewhat doubtful Shape" since "the System of Christianity was an ingenious one at least — and perhaps was Calculated to do good."

But further than that, Lincoln would not go. Few people, even among his close friends, could draw much in the way of religious discussion from him. "I don't know anything about Lincoln's Religion," grumbled David Davis, Lincoln's personal attorney and his first



Matthew Brady took this portrait of Abraham Lincoln, now held by the Library of Congress.

appointee to the U.S. Supreme Court. "The idea that Lincoln talked to a stranger about his religion or religious views — or made ... speeches, remarks &c about it ... is absurd to me."

But Lincoln's refusal to talk about

religion was no evidence that he lacked a profound curiosity about it. Even his youthful "infidelity" was a backhanded measure of the importance Lincoln attached to religion. And close friends of the mature Lincoln frequently remarked that, even if Lincoln subscribed to no formal religious creed, "his heart was full of natural ... religion," which (in the estimate of Lincoln's friend Leonard Swett) included "the great laws of truth, the rigid discharge of duty, his accountability to God, the ultimate triumph of right, and the overthrow of wrong."

And until his election to the presidency and the coming of the Civil War, the private pursuit of "natural religion" suited Lincoln reasonably well. But the Civil War upset the tidiness of Lincoln's belief that God's business was simply ensuring "the ultimate triumph of right, and the overthrow of wrong." From the time the war began, in the spring of 1861, almost nothing about it seemed to go right. Southern armies won victory after victory. And since these victories were won in defense of human slavery and on behalf of a massive insurgency against the United States, the "overthrow" of wrong looked far from simple.

Faced with a situation that turned right and wrong on their heads, Lincoln responded by turning his private meditations into a closer scrutiny of who God is. In the fall of 1862, he sketched the changing shape of his thinking on paper,

Lincoln became convinced that this mysterious purpose pointed toward the emancipation of slaves. At the outset of the war, Southerners certainly had no thought that the freeing of their slaves was the real purpose of God; but neither did Northerners, who were quite content to have the war restore “the Union as it was.”



George P.A. Healy painted this oil of Abraham Lincoln meeting with military advisers in February 1865 at City Point, Va. From left to right: Gens. William Sherman and Ulysses S. Grant, Lincoln and Adm. David Porter.

beginning with this simple axiom: “The will of God prevails.” Obviously. If his will did not prevail, he could scarcely claim to be God.

Next, Lincoln observed that “in great contests each party claims to act in accordance with the will of God.” And in fact, both North and South did this in spades. But God only has one will. “God can not be for, and against the same thing at the same time,” Lincoln said. In claiming to represent God’s will, the North might be correct, or the South might be correct. But since these two notions of God’s will were so utterly opposite, both could not simultaneously have the correct understanding of God’s will.

On the other hand, they could both be wrong. God’s will might be pointing in a direction that neither North nor South had yet discerned. It was this option that made the most sense to Lincoln. “I am almost ready to say this is probably true — that God wills this contest, and wills that it shall not end yet” because God had some greater end in mind than a quick victory by either North or South. After all, “by his mere quiet power, on the minds of the now contestants, he could have either saved or destroyed the Union without a human contest ... and having begun he could give the final

victory to either side any day.”

The fact that God had not rewarded either North or South with a conclusive victory suggested to Lincoln that he needed to look for a divine purpose in the conflict that no one had yet seen. “We must believe,” Lincoln wrote in a letter to a British correspondent, “that He permits [the war] for some wise purpose of his own, mysterious and unknown to us; and though with our limited understandings we may not be able to comprehend it, yet we cannot but believe, that he who made the world still governs it.”

Lincoln became convinced that this mysterious purpose pointed toward the emancipation of the slaves. At the outset of the war, Southerners certainly had no thought that the freeing of their slaves was the real purpose of God; but neither did Northerners, who were quite content to have the war restore “the Union as it was.” It had taken the terrible but indecisive battles of 1861 and 1862 to awaken Americans from their illusions of what the war meant, and to propel them into a search for what God’s real purpose was in the conflict.

But what was the proof that emancipation was that purpose? For that, Lincoln had no better way of finding out than, like Gideon of old, to ask God for a sign.

In September 1862, the Southern army under Robert E. Lee invaded Maryland in a campaign that looked like it could end the war with one last blow. "I made a solemn vow before God," Lincoln later explained to Treasury Secretary Salmon Chase, "that if General Lee was driven back ... I would crown the result by" a presidential Emancipation Proclamation. And when Lee's invasion was stopped by the Union army at the battle of Antietam on September 17, and Lee was forced to retreat into Virginia, Lincoln took that as the sign he had asked for.

He assembled his Cabinet on September 22, and explained, "When the rebel army was at Frederick, I determined, as soon as it should be driven out of Maryland, to issue a Proclamation of Emancipation." Characteristically, he "said nothing to any one; but I made the promise to myself, and ... to my Maker. The rebel army is now driven out, and I am going to fulfil that promise."

Americans have always been a strongly religious people, and they have always wanted to feel that God has a unique mission and blessing for them. At the same time, though, the United States is also a secular republic with no official religion, and we squirm uncomfortably at the idea that God would go beyond simple blessings to issue signs and wonders to our leaders to indicate his will. That Lincoln would do precisely that, and do it as a rationale for issuing the Emancipation Proclamation, rocks modern Americans back on their heels — and would probably rock them even further when they remember that this came from a man who was clearly no trafficker in visions and miracles.

It is probably a worthwhile exercise, for those Americans who like secularism more than religion, to reflect on why so secular a man found, at the end of the day, that he could make no sense of the greatest struggle in American history apart from religion. At the same time, it is also worthwhile for those who love religion to remember that the same mystery about understanding God's will that caused him to look for signs, also caused him to warn others about how easy it was to misinterpret them. Six weeks before his death, in his Second Inaugural address, Lincoln warned Northerners not to see the impending



Matthew Brady took this picture of Abraham Lincoln with his son Tad on February 9, 1864.

triumph of the Union as a sign that they had a lock on truth. The war had been given to "both North and South ... as a woe due to those by whom the offense" of slavery came, and North and South together had been judged in "this mighty scourge of war."

Belief in God, and especially belief that God involves himself in the affairs of nations, is not an excuse for folly and self-righteousness. Instead, its proper use is to promote humility and to remind us of how feeble our own wisdom is. In an era of "faith-based" policy solutions and "religion-friendly" politicians, Lincoln reminds us that religion in American life is neither an alien (to be forbidden) nor a party-crasher (ready to jump into every situation), but a messenger, to "lift up our eyes unto the hills." □

Allen C. Guelzo is the Henry R. Luce Professor of the Civil War Era at Gettysburg College. His biography, *Abraham Lincoln: Redeemer President*, won the Lincoln Prize for 2000. His most recent book, *Lincoln's Emancipation Proclamation: The End of Slavery in America*, will be issued in paperback by Simon and Schuster this month.

Bookshelf

Here are a few titles on Lincoln and religion that scholar Allen C. Guelzo suggests:

The Soul of Abraham Lincoln by William Eleazar Barton, published by George H. Doran in 1920.

Abraham Lincoln's Political Faith by Joseph R. Fornieri, published by Northern Illinois University Press in 2003.

Lincoln's Sacred Effort: Defining Religion's Role in American Self-government by Lucas E. Morel, published by Lexington Books in 2000.

Lincoln, Religion, and Romantic Cultural Politics by Stewart L. Winger, published by Northern Illinois University Press in 2003.

Guelzo's own prize-winning *Abraham Lincoln: Redeemer President* was first published in 1999 by Wm. B. Eerdmans Publishing Company.

State GOP names chair

The Republican State Central Committee elected businessman **Andy McKenna Jr.** as the party's new state chair. He replaces state Treasurer **Judy Baar Topinka**, who stepped down February 1. McKenna, the president of Schwarz Paper Co. in suburban Morton Grove, ran an unsuccessful primary campaign for the U.S. Senate seat now held by Democrat **Barack Obama**.

"The need for a unified state party has never been greater," Topinka said in a prepared statement.

Appointments

Will County Democrats appointed Joliet attorney **A.J. Wilhelmi** to fill a state Senate vacancy left by the January resignation of **Lawrence Walsh**. Walsh was re-elected in November.

Tony Rossi joined Gov. Rod Blagojevich's office as deputy chief of staff for economy and environment, filling the position previously held by **Julie Curry** (see *Illinois Issues*, January, page 38). Rossi had led the Illinois Capital Development Board since mid-2003. Before that, he was clerk of the Illinois House of Representatives for six years.

Amy Bliefnick, who joined the Illinois Department of Agriculture last July, now heads the State Fair, marking the first time in the fair's 152-year history that its manager has been a woman. Prior to joining the department, she was director of development for St. Teresa High School in Decatur.

Births

Attorney General **Lisa Madigan** gave birth to a daughter, **Rebecca Grace**, on January 15. The 7-pound, 3-ounce baby was the first for Madigan and her husband Pat Byrnes.

Madigan said she would be in daily contact with her office during a "brief maternity leave."

BITS

William C. (Bill) Harris

He ran what many still consider an unusual race for secretary of state in 1976. While losing to Democrat Alan Dixon, whom Harris considered a friend, he agreed to stay away from political and personal attacks, and two classy men showed how to run a positive campaign in Illinois.

Memories of that campaign bubbled up quickly after Harris, 83, died in December. "Bill had no enemies. He did have adversaries. That's the nature of politics," Pontiac Mayor Michael Ingles told *Illinois Issues*. "But even his adversaries, like Alan Dixon, were his friends."

Harris, a Republican, enjoyed a 22-year career as a state legislator and maintained his interest in public service and Illinois politics after leaving the state Senate in 1977. He served on the *Illinois Issues* advisory board for half a dozen years, not only as an ambassador for the magazine, but as a fundraiser.

Once when he knew I would be in the Chicago Loop, he asked where I was staying and said, "I'll pick you up at 8 o'clock tomorrow morning." He did. He had a plan. We took a long drive to the suburban home office of a Fortune 500 company. We had a friendly visit with a top corporate official, and Harris asked for \$25,000 for the magazine. For Bill, it was that simple, and we got the money with the caveat that we would never release the corporation's name.

As far as I know, nobody ever knew Bill helped the magazine in that way. He wanted no public credit and did it because he believed *Illinois Issues* is a vital part of the Illinois media mix. He believed in statesmanship, not self-aggrandizement.

Harris was president of the Illinois Senate from 1973 to 1975, then served as the Republican minority leader from 1975 to 1977, when former Gov. James Thompson appointed him commissioner of banks and trusts. Prior that, he was a state representative from 1955 to 1961.

Harris is survived by Jeanne, his wife of 57 years. He was buried in South Side Cemetery in Pontiac.

His legacy will endure. In the 1980s and 1990s, Harris traveled often, a hundred miles north to Chicago or a hundred miles south to Springfield. He would call frequently just to chat. And just as frequently he would end by saying, "Ed, just keep doing what you're doing. You're doing a great job." That was a line he used with others, too, and he always meant it.

For Harris and others with statesmanlike qualities, public service was about building enduring relationships of trust and friendship. When he gave his word, he meant it. And his word had great impact because it encouraged others to keep doing what they were doing well.

Ed Wojcicki

Publisher of *Illinois Issues* from 1992 to 2001



Bill Harris

James Forman

The Chicago-born civil rights activist died January 10. He was 76.

Forman's interest in the nascent civil rights movement began in the 1950s. While a student at the University of Southern California, he was falsely arrested and beaten by police. He completed his degree at Roosevelt University in Chicago, where he became active in student politics, according to the Chicago-based History Makers archive.

He covered the school desegregation crisis for the *Chicago Defender*. Later, he helped provide relief services to Tennessee sharecroppers who had been evicted for registering to vote, according to the archive. He was a member of the Congress for Racial Equality and the Student Nonviolent Coordinating Committee. Forman also was the author of books on civil rights, including *The Making of Black Revolutionaries*.

For updated news see the *Illinois Issues* Web site at <http://illinoisissues.uis.edu>

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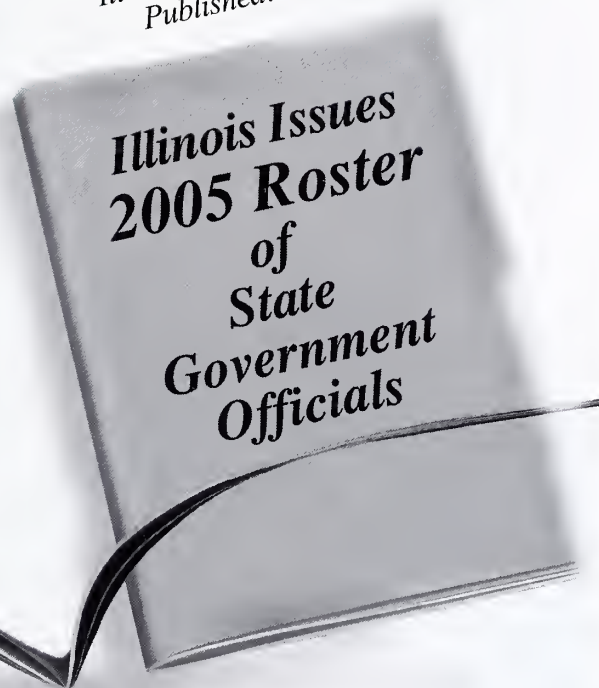
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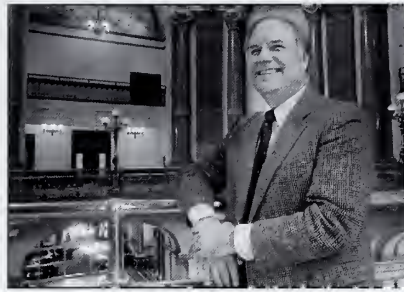
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Charles N. Wheeler III



Illinois House leaders plan regional budget hearings to gather citizen input

by Charles N. Wheeler III

Don't expect the glitz of a rock concert or the fervor of a tent revival, but the Illinois House's Budget 2006 road show could be a top draw in coming weeks.

Speaker Michael Madigan, a Chicago Democrat, and Republican leader Tom Cross of Oswego are teaming for a series of regional hearings across the state as a leadup to Gov. Rod Blagojevich's scheduled February 16 budget address to the General Assembly. The hearings are being billed as an opportunity for Illinoisans to learn more about the state's chronic fiscal woes — Madigan says the state faces a \$2.1 billion gap in the coming fiscal year — and for lawmakers to hear what ideas citizens have for dealing with them. But, Madigan stressed while accepting a record 11th term as speaker, "The purpose of these summits is not to promote tax increases."

The governor, who in the past has accused Madigan of attempting to orchestrate an income tax increase, supported the speaker's initiative. (Of course, the plan mirrors one of the budget reforms then-candidate Blagojevich proposed three years ago when he called for public hearings around the state on proposed spending plans.)

Still, one is hard-pressed to imagine that the dreaded "T" word won't come up. Consider who's likely to show up and what they might say:

- Business groups caution that another round of targeted tax hikes — or, as the

The governor, who in the past has accused House Speaker Michael Madigan of attempting to orchestrate an income tax increase, supported the speaker's initiative.

administration prefers, "loophole" closings — and fee increases would erode further the state's business climate, making it harder to attract new investment and create new jobs. Moreover, a trial court already has tossed out one fee increase. That decision was based on grounds that also jeopardize hundreds of millions of dollars generated from other fee hikes levied in the past two years.

- Health care providers warn a growing backlog of Medicaid bills could threaten access to medical treatment, even as the governor — to his great credit — expands eligibility for the working poor.

- Human services advocates decry budget cuts that have resulted in welfare office closings downstate, making it much more difficult for clients to meet with caseworkers.

- Conservationists worry that layoffs at the state Department of Natural Resources will undermine stewardship

of the outdoors, from educating schoolchildren visiting state parks to issuing fishing licenses and campsite reservations.

- Public employee unions remind everyone that existing pension benefits are constitutionally guaranteed and that any proposal for a two-tiered system, in which new hires get second-class treatment, would be anathema.

- Corrections officers and civic leaders detail the dangers of closing prisons, both to the physical safety of guards working in overcrowded facilities and to the economic well-being of communities dependent on good-paying jobs.

- Local officials bemoan highway construction delayed and roads not repaired because more than \$1 billion of motor fuel tax and license revenue has been siphoned off to pay for other programs.

- Perhaps loudest of all, from the Wisconsin border to the Ohio River, parents and educators lament the precarious fiscal condition of public education in Illinois, where four out of five school districts — including many in wealthy suburban areas — are running in the red, and the gap — chasm? — between what's available to educate kids in "rich" districts and those in "poor" districts is among the largest in the nation. And this despite Blagojevich and lawmakers boosting state spending for local schools by more than \$1 billion the last two years.

The foregoing list should come as no

surprise, of course, to anyone who's been following the news of late, but legislative leaders are hoping the additional media coverage a local hearing garners reaches a broader audience than do reports from the Statehouse.

Nor should legislators learn much new about the ongoing budget travails in the wake of months of pessimistic prognostications from the General Assembly's Economic and Fiscal Commission and gloomy reports from state Comptroller Dan Hynes.

Legislative forecasters, for example, are estimating that only about \$325 million in new revenue will be available for the fiscal year starting July 1, barely enough to cover half of a \$633 million, statutorily mandated increase in pension contributions.

The Democratic comptroller, meanwhile, announced last month that the state's backlog of unpaid bills stood at more than \$1.5 billion at the halfway mark of the current fiscal year, as the loss of one-time revenues collected last year offset the modest economic growth seen this year.

Most significantly, the hearings are proactive, allowing legislators to attempt to frame budget issues before the governor weighs in.

While the revelations will be few, the fact-finding hearings are still important for lawmakers as they prepare for what's sure to be another difficult budget year and one likely to find the governor and lawmakers once again on different pages.

Most significant, the hearings are proactive, allowing legislators to attempt to frame budget issues before the governor weighs in. Historically, the legislature has reacted to the governor's budget proposal, letting the chief executive define the terms of the debate, as Blagojevich did last year, for example, in painting his

plan for higher business taxes as a choice between tax breaks for yacht buyers or money for school kids.

This time, Madigan and Cross have launched a pre-emptive strike, hoping to underscore the problems caused by the loss of one-time revenues, such as \$1.5 billion in pension bond sales used to prop up this year's budget, and mandated spending increases, such as next year's \$633 million pension bump.

The concerns local citizens voice about piling more taxes on business or slicing more deeply into state operations also should help shield lawmakers who differ with the governor's budget notions from being pilloried as tools of special interests or puppets of the speaker, as happened last year.

Perhaps the brightest hope, however, is that the hearings help lay the groundwork for reforming the state's inadequate revenue structure, whenever this or some future governor is ready to tackle the problem. □

Charles N. Wheeler III is director of the Public Affairs Reporting program at the University of Illinois at Springfield.

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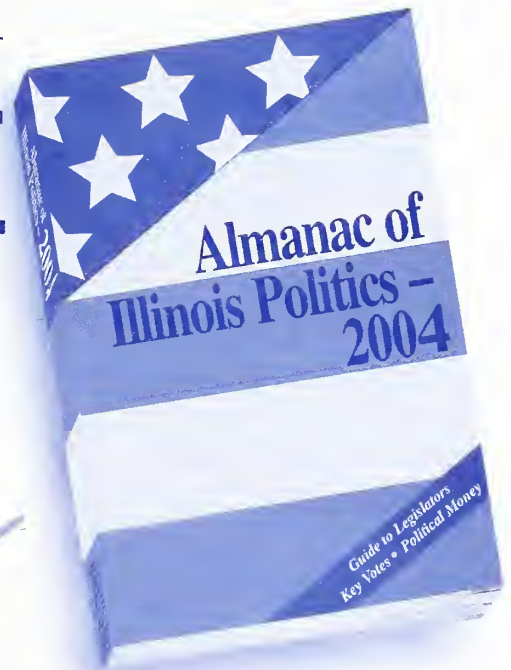
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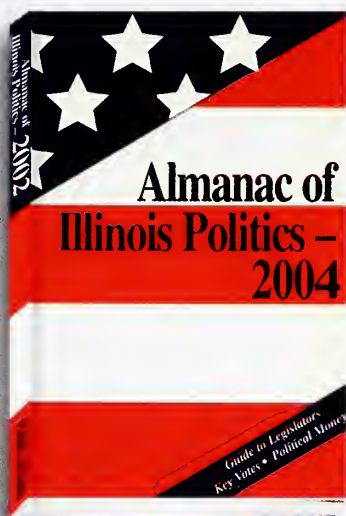
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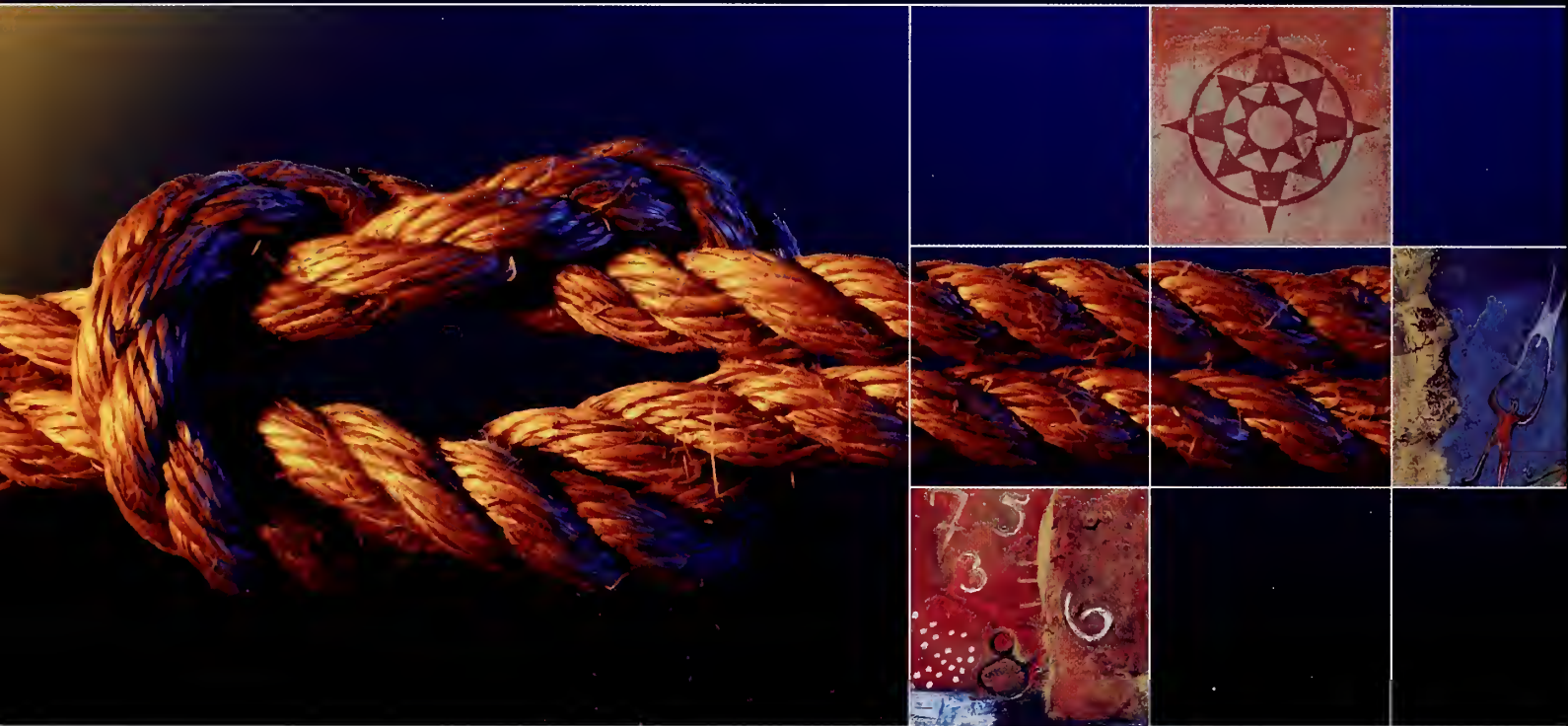
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